



MFG

Magellan Global Fund

ARSN 126 366 961

Magellan Infrastructure Fund

ARSN 126 367 226

Supplementary Combined Financial Services Guide and Product Disclosure Statement
30 September 2010



Supplementary Combined Financial Services Guide and Product Disclosure Statement 30 September 2010

This is a Supplementary Combined Financial Services Guide and Product Disclosure Statement (**Supplementary FSG & PDS**) that:

- supplements the Combined Financial Services Guide and Product Disclosure Statement dated 23 July 2007 (**Original FSG & PDS**) for the Magellan Global Fund and the Magellan Infrastructure Fund; and
- replaces the Supplementary Product Disclosure Statement dated 18 December 2009 (**SPDS**).

Magellan Asset Management Limited ABN 31 120 593 946, AFSL 304301 is the issuer of this Supplementary FSG & PDS and the Original FSG & PDS. This Supplementary FSG & PDS must be read together with the Original FSG & PDS.

The terms of the Original FSG & PDS continue in full force and effect except to the extent that those terms are expressly supplemented and / or modified by this Supplementary FSG & PDS. Terms defined in the Original FSG & PDS have the same meaning in this Supplementary FSG & PDS, unless otherwise stated.

PART A – CHANGES EFFECTIVE 30 SEPTEMBER 2010

The purpose of this Supplementary FSG & PDS is to:

- Amend the 'Important Information for New Zealand Investors' information
- Amend the 'Complaints Resolution' information
- Amend the 'Consents' information
- Amend the 'Financial Services Guide'
- Amend the 'Corporate Directory'

The changes set out in Part A are effective from the date of this Supplementary FSG & PDS.

AMEND THE 'IMPORTANT INFORMATION FOR NEW ZEALAND INVESTORS' INFORMATION

Section 11 'Important Information for New Zealand Investors' on pages 39 to 43 of the Original FSG & PDS is deleted in its entirety and replaced with the following text:

"Warning Statement to New Zealand Investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to

changes in the exchange rate between the currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

The dispute resolution process described in this offer document is only available in Australia and is not available in New Zealand."

AMEND THE 'COMPLAINTS RESOLUTION' INFORMATION

Section 13.4 'Complaints Resolution' on page 46 of the Original FSG & PDS is deleted in its entirety and replaced with the following text:

"The Manager has a formal policy in place for dealing with complaints. In the first instance, complaints can be made by calling 02 8114 1888 or by writing to the Company Secretary, Magellan Asset Management Limited, Level 7, 1 Castlereagh Street, Sydney NSW Australia 2000. If a Unit holder believes their complaint has not been resolved, they should then write to the Complaints Officer at the above address. The Manager will acknowledge Unit holder complaints within 14 days of receipt and will generally investigate complaints and aim to provide a response (if not resolve the complaint) within 45 days of receipt of the complaint. If you are ultimately dissatisfied with the outcome of your complaint you may refer the matter, free of charge, to the Financial Ombudsman Service (FOS) which is an external dispute resolution scheme. The contact details for FOS are:

Phone: 1300 780 808
Fax: (03) 9613 6399
Email: info@fos.org.au
Mail: GPO Box 3
Melbourne VIC 3001"

AMEND THE 'CONSENTS' INFORMATION

Section 13.7 'Consents' on page 47 of the Original FSG & PDS is amended by deleting 'KPMG' and replacing it with 'Ernst & Young'.

AMEND THE 'FINANCIAL SERVICES GUIDE'

The **Financial Services Guide** on pages 49 to 50 of the Original FSG & PDS has been updated as follows:

- The **'Remuneration or Other Benefits Received by Us'** section on pages 49 and 50 is amended by deleting, from the second paragraph, the words "contribution fees and".
- On page 50, after the section titled **'Remuneration or Other Benefits Received by Us'** the following:
"Compensation Arrangements"
The Manager has professional indemnity insurance cover in place in respect of financial services provided to its retail clients. This insurance covers claims in relation to the conduct of both past and present representatives of the Manager. These arrangements comply with the requirements of Section 912B of the Corporations Act."
- The **'Contact Details'** section on page 50 is amended by updating the Manager's address as follows:
"Level 7
1 Castlereagh Street
Sydney NSW 2000"

AMEND THE 'CORPORATE DIRECTORY'

The following information replaces the **'Corporate Directory'** on page 55 in its entirety:

'Responsible Entity'

Magellan Asset Management Limited
Level 7, 1 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 8114 1888 Fax: +61 2 8114 1800
Email: info@magellangroup.com.au

Directors of the Responsible Entity

Hamish Douglass
Paul Lewis
Brett Cairns
Naomi Milgrom

Company Secretaries of the Responsible Entity

Leo Quintana
Nerida Campbell

Auditor

Ernst & Young
680 George Street
Sydney NSW 2000

Fund Administrator and Unit Registry

FundBPO Pty Limited
Level 1, 51-57 Pitt Street
Sydney NSW 2000
Telephone: 1300 133 451 or +61 2 9247 3326

Prime Broker and Custodian

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ, United Kingdom"

Australian Legal and Tax Adviser

Minter Ellison
Level 19, 88 Phillip Street
Sydney NSW 2000

New Zealand Legal Adviser

Minter Ellison Rudd Watts
Level 20, Lumley Centre
88 Shortland Street, Auckland"

PART B – CHANGES EFFECTIVE FROM 18 DECEMBER 2009

Part B of this Supplementary FSG & PDS sets out a number of changes that were made to the Original FSG & PDS by the SPDS dated 18 December 2009. Those changes are incorporated, but are not further changed, by this Supplementary FSG & PDS. The purposes of those changes were to:

- Update the **Manager's Address**
- Amend the **'Letter to Investors'**
- Amend the **'Key Features'** information
- Change the **'Portfolio Construction'** information
- Update the **'About the Manager – Magellan Asset Management Limited'** information
- Amend the **'Fees and Other Costs'** information
- Amend the **'Applications'** information
- Update the **'Distributions'** information
- Insert a new **'Anti Money Laundering'** section

UPDATE THE MANAGER'S ADDRESS

The Manager's address appearing on page (i) of the Original FSG & PDS shall be replaced with:

Level 7, 1 Castlereagh Street
Sydney NSW 2000 Australia

AMEND THE 'LETTER TO INVESTORS'

The **'Letter to Investors'** on page (iii) of the Original FSG & PDS is amended by replacing paragraph 7 with the following:

"It is anticipated that the investment portfolios for Magellan Global Fund and Magellan Infrastructure Fund will each comprise 20 to 40 individual investments. Both portfolios will be weighted towards our highest conviction investment ideas."

AMEND THE 'KEY FEATURES' INFORMATION

Section 1 'Key Features' on pages 2 and 3 of the Original FSG & PDS are amended as follows:

The **'Portfolio Construction'** disclosure in the **Key Features** table on page 2 of the PDS is amended by replacing "25 to 50" with "20 to 40".

The **'Portfolio Construction'** disclosure in the **Key Features** table on page 3 of the Original FSG & PDS is amended by replacing "15 to 35" with "20 to 40".

The **'Contribution Fee'** disclosure in the **Key Features** tables on pages 2 and 3 of the Original FSG & PDS is amended by replacing the words "up to 1.25% paid from your contribution*" with the word "Nil".

The **'Performance Fees'** disclosure in the **Key Features** tables on pages 2 and 3 of the Original FSG & PDS is amended by replacing the words "of each Unit's total return", each time they appear, with the words "of each Unit's excess return above the relevant index relative hurdle".

CHANGE THE 'PORTFOLIO CONSTRUCTION' INFORMATION

Section 4.3 'Portfolio Construction' on page 14 of the Original FSG & PDS is amended by replacing "25 to 50", each time these figures appear, with "20 to 40".

Section 5.3 'Portfolio Construction' on page 17 of the Original FSG & PDS is amended by replacing "15 to 35" with "20 to 40".

UPDATE THE 'ABOUT THE MANAGER – MAGELLAN ASSET MANAGEMENT LIMITED' INFORMATION

Section 7.2 'The Investment Team' on pages 23 to 25 of the Original FSG & PDS is deleted in its entirety and replaced with the following text:

"Details for the key members of the Manager's Investment Team can be found on the Manager's website: www.magellangroup.com.au"

Section 7.3 'The Manager's Directors' on page 25 to 26 of the Original FSG & PDS is deleted in its entirety and replaced with the following text:

"Details for the Manager's Directors can be found on the Manager's website: www.magellangroup.com.au"

AMEND THE 'FEES AND OTHER COSTS' INFORMATION

The changes to Section 8 'Fees and Other Costs' are effective from 18 December 2009.

Those changes were made by the SPDS dated 18 December 2009 and replaced Section 8 'Fees and Other Costs' on pages 27 to 32 of the Original FSG & PDS. Those changes are incorporated, but are not further changed, by this Supplementary FSG & PDS.

SUMMARY OF KEY CHANGES

As Section 8 'Fees and Other Costs' has been replaced in its entirety, a summary of the key changes has been provided below:

- **Removal of the Contribution Fee:** The Contribution Fee has been reduced to zero.
- **Amending the Performance Fee calculation method:** The method applied in calculating the Performance Fee for each Magellan Fund has been amended in three key ways:
 - **Performance Fees are no longer 10.10% of total return:** The Original FSG & PDS provided that the Manager was entitled to earn Performance Fees of 10.10% (including GST) of each Unit's total return each Calculation Period, subject to the double performance Hurdles and High Water Mark being achieved. The method of calculation of Performance Fees has changed such that the Manager will be entitled to earn a Performance Fee of 10.10% (inclusive of the net effect of GST) of each Unit's excess return above the higher of the relevant Index Relative and Absolute Return hurdles, subject to the High Water Mark being achieved.
 - **Establishment of an Equalisation Reserve for Performance Fee calculations:** The Performance Fee calculation has also been modified to achieve a fairer outcome for Unit holders. Previously, Performance Fees were payable on the performance of each Unit on issue in a Magellan Fund during a Calculation Period, even where Units were not on issue throughout the entire Calculation Period. The Manager has established an equalisation reserve mechanism so that a Performance Fee will reflect only the performance generated after a unit is issued. Refer to Section 8.3 'Performance Fee' below.
 - **Removal of the three year lapsing mechanism applying to the high water mark requirement:** For each Magellan Fund, a Performance Fee was payable where the Magellan Fund exceeded both its relevant double performance Hurdles and its High Water Mark. The Original FSG & PDS provided that the High Water Mark would lapse in the event that more than three years had passed since a Performance Fee was last paid. By removing the three year lapsing mechanism, the High Water Mark will be the Unit price applying at the end of the Calculation Period when the Manager was last entitled to a performance fee, regardless of how much time has elapsed since a Performance Fee was paid. Refer to Sections 8.2 and 8.3 'High Water Mark' below.
- **Removing the cap on rebates:** The Manager has removed the cap on rebates of the Management Fee or commissions. Refer to Section 8.3 'Rebates and Waivers' below.

The replacement Section 8 'Fees and Other Costs' appears in its entirety below.

8.0 Fees and other Costs

8.1 Fees Overview

CONSUMER ADVISORY WARNING

The warning below is required by law.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

8.2 Summary of Fees and Other Costs

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund's assets as a whole. Taxes are set out in another section of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

All fees and costs are **inclusive of GST** and net of any applicable reduced input tax credits.

Type of Fee or Cost	Amount ¹	How and when paid
Fees when your money moves in or out of the Fund		
Establishment Fee The fee to open your investment	Zero.	Not applicable
Contribution Fee² The fee on each amount contributed to your investment.	Zero	Not applicable
Withdrawal Fee² The fee on each amount you take out of your investment.	Zero.	Not applicable.
Termination Fee The fee to close your investment.	Zero	Not applicable
Management Costs		
The fees and costs for managing your investment.	Management Costs consist of the Administration Fee, Management Fee and Performance Fee. The Administration Fee and Management Fee are to be: 1.36% per annum for Magellan Global Fund. (\$13.60 per \$1,000 per annum for Magellan Global Fund). 1.06% per annum for Magellan Infrastructure Fund. (\$10.60 per \$1,000 per annum for Magellan Infrastructure Fund). The amounts above do not include any estimates for Performance Fees.	See the relevant part of this table and refer to the relevant part of Section 8.3 for more details.
	Administration Fee – The fees and costs of operating each Magellan Fund. The Administration Fee includes administration and marketing costs, and other expenses incurred by the Manager in operating each Magellan Fund. 0.10% per annum. (\$1.00 per \$1,000 per annum).	The Administration Fee is calculated on the Net Asset Value of each Fund at the end of each month. The Administration Fee is reflected in the daily Unit price of each Fund and is payable monthly. Refer to Section 8.3 'Administration Fee' for more details.
	Management Fee - The fee paid to the Manager for managing each Fund. 1.26% per annum for Magellan Global Fund. (\$12.60 per \$1,000 per annum for Magellan Global Fund). 0.96% per annum for Magellan Infrastructure Fund. (\$9.60 per \$1,000 per annum for Magellan Infrastructure Fund).	The Management Fee is calculated on the Net Asset Value of each Fund at the end of each month. The Management Fee is reflected in the daily Unit price of each Fund and is payable monthly. Rebates may apply. Refer to Section 8.3 'Management Fee' and 'Rebates and Waivers' for more details.
	Performance Fee - The fee payable to the Manager based on the performance of each Magellan Fund. 10.10%	Performance Fees are calculated on the excess return of the Units of each Magellan Fund above the higher of the Index Relative and Absolute Return Hurdles over each Calculation Period ending 31 December and 30 June in each year. Performance Fees are paid subject to the double performance Hurdles and the High Water Mark being met for the relevant Calculation Period, reduced to the extent that the Performance Fee may cause the total return to fall below any Hurdle or the High Water Mark. Performance Fees are reflected in the daily Unit price of each Fund and are payable at the end of each Calculation Period. Refer to Section 8.3 'Performance Fee' for more details.
Services Fees		
Investment Switching Fee The fee for changing Magellan Funds.	Zero	Not Applicable

Notes to table

- All fees set out in this Section are inclusive of the net effect of Goods and Services Tax (GST) (that is, includes GST net of input tax credits). Please refer to **Section 8.3** "Impact of GST" for further details.
- You may also incur Transaction Costs when your money moves in or out of the Fund. Please refer to **Section 8.3** "Transaction Costs" for further details.

8.3 Additional Explanation of Fees and Costs

Impact of GST

All fees set out in this Section are inclusive of the net effect of GST (that is, includes GST net of input tax credits). The impact of GST on the Management Fee, Administration Fee and Performance Fee is calculated on the assumption that each Magellan Fund invests 60% of its assets in non-Australian investments. If a Magellan Fund were to invest less than 60% of its assets in non-Australian investments, the GST inclusive Management Fees and Performance Fees may be higher than the stated figure. Alternatively, if a Magellan Fund were to invest more than 60% of its assets in non-Australian investments, the GST inclusive Management Fees and Performance Fees charged may be lower. Any difference reflects the recovery of GST only, as fees paid to the Manager will not vary.

Transaction Costs

When you make an application for or withdrawal of Units, we charge the Transaction Costs to cover the impact of brokerage, stamp duties, taxes and other charges and expenses incurred by the Magellan Funds when buying or selling investments. The Transaction Costs are not a fee paid to the Manager but are paid to the relevant Magellan Fund. They are, however, an additional cost to you and will impact on the return on your investment. Transaction Costs for each Magellan Fund are estimated by the Manager to be 0.25% and may be altered at any time. Transaction Costs are not charged on Units issued pursuant to re-invested distributions but they are charged on switches.

Management Costs

Management Costs include Administration Fees, Management Fees and estimated Performance Fees. Management Costs are deducted from the relevant Magellan Fund (that is, they are not charged directly to your account). They do not include Transaction Costs or any additional service fees. The Management Costs for a Magellan Fund is an estimate and is expressed as a percentage of the Magellan Fund's Net Asset Value. Each Magellan Fund's expenses are paid by the Manager from the Administration Fee and are not separately reimbursed by the Magellan Fund..

Administration Fee

The Manager has set the Administration Fee at 0.10% per annum (inclusive of the net effect of GST) calculated on the Net Asset Value of each Magellan Fund at the end of each month (\$1.00 per \$1,000 per annum). The Administration Fee is reflected in the daily Unit price of each Fund and is payable monthly.

The Manager will pay all the operating expenses of each Magellan Fund (such as the cost of administration, investor reporting and distribution, audit, taxation advice, annual financial reporting and other allowable miscellaneous expenses but excluding distribution costs).

If a Magellan Fund's actual expenses exceed the Administration Fee, the Manager will pay any such excess expenses and will not seek reimbursement from the relevant Magellan Fund. If a Magellan Fund's actual expenses are less than the Administration Fee, the Manager will retain the difference.

Management Fee

The Constitution of each Magellan Fund provides that the Manager may receive and retain, at the end of each month, a Management Fee from each Magellan Fund calculated on the Net Asset Value of the relevant Magellan Fund at the end of each month. The Management Fee is 1.26% per annum

(including the net effect of GST) of the Net Asset Value (\$12.60 per \$1,000 per annum) for Magellan Global Fund.

The Management Fee is 0.96% per annum (including the net effect of GST) of the Net Asset Value (\$9.60 per \$1,000 per annum) for Magellan Infrastructure Fund. The Management Fee is reflected in the daily Unit price of each Magellan Fund and is payable monthly. Management Fees are the fees payable for the management of the Magellan Funds. See above for information regarding the impact of GST.

Performance Fee

Depending on how well a Magellan Fund performs, the Manager may be entitled to a Performance Fee, payable by the relevant Magellan Fund. Performance Fees are subject to an Index Relative Hurdle and an Absolute Return Hurdle plus a High Water Mark requirement and an overall cap. The details of the calculation methodology and the hurdles are set out below.

The daily Unit prices for each Magellan Fund includes an accrual for Performance Fees equal to the amount that would be payable if it were the end of a Calculation Period. The Index Relative and Absolute Return Hurdles, the High Water Mark requirements and the overall cap on Performance Fees will all be applied in determining the daily Performance Fee accrual.

Calculation Methodology

A Magellan Fund's Total Return per Unit (**Total Return**) is the movement in its Unit price (without Transaction Costs) during the Calculation Period (adjusted for any income or capital distributions and any accrued Performance Fees during that Calculation Period). Adjustments will be made for any capital re-organisations such as Unit divisions or consolidations. The initial Calculation Period is from the commencement date of each Magellan Fund until 31 December 2008 with subsequent Calculation Periods ending on 30 June and 31 December of each year.

A Magellan Fund's Excess Return per Unit (**Excess Return**) is its Total Return per Unit less the higher of the returns of the relevant Index Relative and Absolute Return Hurdles.

The Performance Fee per Unit is 10.10% (including the net effect of GST) of the Excess Return.

Units Issued During A Calculation Period

Performance Fees are paid on the Excess Return of each Unit on issue at the end of a Calculation Period, less a fund level equalisation reserve (**Equalisation Reserve**). The effect of the Equalisation Reserve is that the Manager will only receive a performance fee in respect of a specific unit on performance generated after that unit is issued. The Equalisation Reserve accumulates over a Calculation Period. Each time a new Unit is issued, the Equalisation Reserve is adjusted by an amount that represents the prevailing Performance Fee per Unit accrued in the applicable entry price immediately prior to the issue of that new Unit (**Equalisation Adjustment**). If the accrued Performance Fee per Unit on the day a new Unit is issued is nil, there will be no Equalisation Adjustment made to the Equalisation Reserve in respect of the issue of that new Unit.

The Equalisation Reserve is subject to a ceiling such that the total Equalisation Reserve is the lesser of a) the total of the Equalisation Adjustments calculated on each day of the Calculation Period; and b) the number of new units issued during the Calculation Period multiplied by the prevailing Performance Fee per unit. The ceiling on the Equalisation Reserve ensures that the manager's performance fee entitlement is not less than it would have been had no units been issued during the Calculation Period.

The exact impact of the Performance Fee on a particular Unit holder will depend on the number of new Units issued during a Calculation Period, the excess return achieved from the start of the Calculation Period to the date of issue of new Units and the subsequent movement in the Unit price to the end of the Calculation Period.

Units Withdrawn During A Calculation Period

For Units that are withdrawn during the Calculation Period, the day of withdrawal will be treated as the end of the Calculation Period with respect to those Units and the Performance Fee will become payable to the Manager.

The withdrawal proceeds will be net of any Performance Fees accrued on the day of withdrawal. Any switches will also be treated as if they were withdrawals for the purposes of calculating the Performance Fees. Details on the index relative and absolute return hurdles, the high water mark and the Performance Fee Cap are as follows:

Index Relative Hurdle

- For Magellan Global Fund, the total return must exceed the performance of the Morgan Stanley Capital International World Index Total Return (Net Dividends) (measured in US dollars and converted to Australian dollars).
- For the Magellan Infrastructure Fund, the total return must exceed the performance of the UBS Developed Infrastructure and Utilities Net Total Return Index (\$A Hedged).

If an index ceases to be published, the Manager will nominate an equivalent replacement index.

Absolute Return Hurdle

For both Magellan Global Fund and Magellan Infrastructure Fund, the total return must exceed the yield of 10-year Australian Government Bonds on the first Business Day of the Calculation Period.

High Water Mark

For both Magellan Global Fund and Magellan Infrastructure Fund, the Unit price at the end of a Calculation Period (adjusted for any intervening income and capital distributions) must exceed the corresponding Unit price at the end of the last Calculation Period when the Manager was last entitled to Performance Fees. Adjustments will be made for any capital re-organisations such as Unit divisions or consolidations. The first High Water Mark will be \$1.00 per Unit, being the initial issue price of Units.

Performance Fee Cap

Payment of the Performance Fee out of the relevant Magellan Fund reduces the Unit price of that Magellan Fund to that extent. The Manager will reduce the Performance Fee it is otherwise entitled to in order to make sure that the Performance Fee does not reduce the Unit price (after the Performance Fee has been paid) of that Magellan Fund below either the Index Relative Hurdle, the Absolute Return Hurdle or the High Water Mark for the relevant Calculation Period.

Performance Fees may be received in Units in the Fund

The Manager may elect to receive up to 50% of its Performance Fees in the form of Units in the Fund. Any Units issued in lieu of Performance Fees will be at the Unit price for that Magellan Fund applicable at that time. No Transaction Costs will be payable on the issue of these Units.

Worked Performance Fee example for Magellan Funds

The example that follows is only for the purpose of illustrating how Performance Fees for an investment in one of the Magellan Funds may be calculated.

The example assumes that the relevant Magellan Fund's excess return, total return and the hurdles' performance remain constant throughout the Calculation Period. In reality, the Unit price and the hurdles will vary during the course of the Calculation Period.

Importantly, the example assumes an annualised total return of 12% and the relevant Index Relative Hurdle of 10%, that the Absolute Return Hurdle is less than 10%, and that the Performance Fee Cap has not been triggered. Note that 12% annualised return is for illustrative purposes only and is not an indication of the future performance of any Magellan Fund. Future performance may differ materially from that used in this example.

Value of Units held by you on 1 July equals \$20,000. The Performance Fee payable for the Calculation Period ending 31 December would be:	$(\$20,000 \times (12\% - 10\%)) / 2 \times 10.10\%$ $= \$20.20$	For \$20,000 that you have in a Fund you have earned \$1,200 and will be charged \$20.20 in Performance Fees.
Adjusted value of Units held by you on 31 December during the year equals \$21,200 - \$20.20 = \$21,179.80.		

Investment Switching Fee

A switch from one Magellan Fund to the other is treated as a withdrawal of Units from one Fund and an application for Units in the other Fund. While no Switching Fees are payable, Transaction Costs will apply. You may also incur a capital gains tax liability from switching from one Fund to the other.

Fee Maximums and Changes To Fees

The Manager is entitled under the Constitution of each Magellan Fund to charge a combined Management Fee and Administration Fee of 1.35% per annum for the Magellan Global Fund and 1.05% per annum for the Magellan Infrastructure Fund (exclusive of GST) of the gross value of the relevant Magellan Fund and Performance Fees of 10% (exclusive of GST) per annum of the excess return on Units of a Magellan Fund during a Calculation Period. The relevant

Constitutions do not provide for the Manager to charge a Withdrawal Fee, Switching Fee or Termination Fee. The Manager may, within the bounds of the relevant Constitution, elect to change the fees it actually charges you (for example, due to changes in economic conditions and size of the Magellan Fund) after the date of this PDS with respect to one or more of the Magellan Funds and Unit holders will be provided at least 30 days written notice of any change in these or other fees.

Adviser Remuneration

Your financial adviser may be entitled to receive additional pecuniary and non-pecuniary benefits, bonuses and other rewards resulting from promotional, performance related or loyalty programs should they be conducted at any time by the Manager. These types of benefits and awards are not able to be quantified at any given time and are generally not directly attributable to any one product dealing.

Rebates and Waivers

The Manager may, where permitted under the law, charge fees on a different basis to certain parties who make a

substantial investment in a Magellan Fund or other of the Manager’s investment products.

Dealer groups, wholesale and certain sophisticated and professional investors, IDPS operators, stockbrokers and other licensees may receive commissions or rebates from the Manager. These rebates or commissions may be retained by the dealer group, wholesale and certain sophisticated and professional investors, IDPS operator, stockbroker or licensee. If these amounts are paid, they are paid by the Manager and are not an extra amount paid from the Magellan Fund, nor are they an amount you pay.

Any commissions or rebates will be made in compliance with the IFSA Industry Code of Practice on Alternative Forms of Remuneration. The Manager will keep a register of certain payments as required by the Code. Please contact the Manager if you would like to view this register. Details of the adviser’s remuneration will be in the Financial Services Guide and Statement of Advice which your adviser must give you.

8.4 Examples of Annual Fees and Costs

These tables give examples of how the management fees and costs can affect your investment over a one year period in each of the Magellan Funds. You should use these tables to compare these products with other managed investment products.

Example – Magellan Global Fund		Balance of \$50,000 with Total Contribution of \$5,000 during the year
Management Costs	1.36%	For every \$50,000 you have in the fund you will be charged \$680*
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of \$680 **

Example – Magellan Infrastructure Fund		Balance of \$50,000 with Total Contribution of \$5,000 during the year
Management Costs	1.06%	For every \$50,000 you have in the fund you will be charged \$530*
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of \$530 **

Notes to tables

* Assuming the Fund has achieved (adjusted) performance not in excess of its hurdles and therefore no Performance Fees will be payable for the relevant period.

** All fees are inclusive of the net effect of GST and you may also incur additional fees such as Transaction Costs when your money moves in or out of the Fund. Please refer to "Transaction Costs" in **Section 8.3**.

AMEND THE 'APPLICATIONS' INFORMATION

Section 9.2 'Applications' on page 33 of the Original FSG & PDS is amended by deleting, from paragraph 3, the words "when we receive your completed application, we deduct from your investment amount any applicable Contribution Fee. The balance will then be divided by the determined entry Unit price for that date" and replacing them with the following:

"When we receive your completed application your investment amount will be divided by the determined entry Unit price for that date."

UPDATE THE 'DISTRIBUTIONS' INFORMATION

Section 9.5 'Distributions' on page 34 of the Original FSG & PDS is amended by deleting, from paragraph 3, the words "Contribution Fee or".

INSERT A NEW 'ANTI MONEY LAUNDERING' SECTION

On page 47 of the Original FSG & PDS, insert a new **Section 13.8** to read as follows:

"Section 13.8 Anti-Money Laundering

As the Manager is a Reporting Entity under the *Anti-Money Laundering and Counter Terrorism Financing Act 2006*, the Manager is required to identify and verify the identity of all applicants for Units in the Fund and accordingly will not process an application unless accompanied by sufficient identifying information. The identifying information requirements are set out in the Application Form accompanying this PDS."

The Original FSG & PDS is otherwise unchanged. This Supplementary FSG & PDS has been authorised by the Directors of Magellan Asset Management Limited.

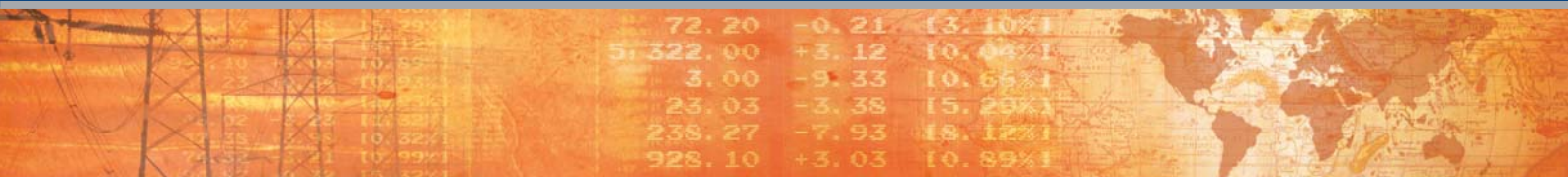
MFG

Magellan Global Fund

ARSN 126 366 961

Magellan Infrastructure Fund

ARSN 126 367 226



Product Disclosure Statement 23 July 2007

This is a combined Financial Services Guide and Product Disclosure Statement

Issued by:

Magellan Asset Management Limited ABN 31 120 593 946

Australian Financial Services Licence No. 304301



MAGELLAN
ASSET MANAGEMENT LIMITED

This is a combined Financial Services Guide (**FSG**) and Product Disclosure Statement (**PDS**).

Magellan Asset Management Limited ABN 31 120 593 946, AFSL 304301 (the **Manager** or **we**) is the issuer of this PDS dated 23 July 2007. Investments in Magellan Global Fund (**Magellan Global Fund**) or Magellan Infrastructure Fund (**Magellan Infrastructure Fund**) (collectively, **Funds** or **Magellan Funds**) are offered by the Manager in its capacity as responsible entity. The Application Form accompanying this PDS, which contains important terms relating to an investment in the Fund, should be read before deciding to invest. The Application Form does not form part of this PDS.

Important Information

In preparing this PDS, we have not taken into account the investment objectives, needs or financial position of any person. Before making an investment decision on the basis of this PDS, investors should consider whether investing in a Magellan Fund is suitable to their individual circumstances and seek advice from a qualified financial adviser.

No information or representation in connection with the offer of Units, which is not contained within this PDS, should be relied upon in making an investment decision about the offer. No person is authorised to make representations in respect of the offer which are not contained in this PDS.

This PDS only constitutes an invitation to invest in financial products to persons within Australia or in places where it is lawful to make such an offer or invitation. Units in a Magellan Fund are not available for purchase within the United States or to US Persons (refer **Glossary – Section 14**).

The offer of Units is made in New Zealand pursuant to the terms of the Securities Act (Australian Registered Managed Investment Schemes) Exemption Notice 2003. Important information for New Zealand investors is contained in **Section 11** of this PDS.

An investment in a Magellan Fund is subject to investment and other risks, including possible delays in repayment and loss of income and principal invested. Investments in a Magellan Fund are not deposits with or

other liabilities of the Manager or any of its related bodies corporate, affiliates, associates or officers. None of these entities guarantee any particular rate of return or the performance of a Magellan Fund nor do they guarantee the repayment of capital from a Magellan Fund.

No person other than the Manager has caused or authorised the issue of this PDS nor do any of them take any responsibility for the preparation of this PDS or the establishment or performance of a Magellan Fund. ASIC takes no responsibility for the contents of this PDS.

The Manager reserves the right to vary the offer, including close the offer at any time, without notifying any recipient of this PDS or any applicants. Investors are encouraged to submit their applications as soon as possible.

Subject to the law and each Constitution, the Manager may change at anytime the information, terms and conditions set out in this PDS and otherwise applying to Units. At least 30 days' written notice will be provided of any change which is materially detrimental to Unit holders including any change to fees. Unit holders who withdraw their Units prior to the change will ordinarily not be bound by the change. Where a change is not materially adverse to investors, the information may be made available at: www.magellangroup.com.au. Investors may obtain a paper copy of this information by contacting the Manager using the details in the Corporate Directory.

If you are printing an electronic copy of this PDS, you must print all pages including the Application Form. If you make this PDS available to another person, you must give them the entire electronic file or printout, including the Application Form. A paper copy of this PDS (and any supplementary documents) can also be obtained free of charge on request by calling the Fund Administrator on 1300 133 451 or by contacting your financial adviser.

Certain capitalised expressions used in this PDS have defined meanings, which are explained in the **Glossary – Section 14**. References to \$ are to Australian dollars.

Magellan Asset Management Limited

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Overview

This product disclosure statement contains an invitation to invest in Magellan Global Fund and/or Magellan Infrastructure Fund.

Magellan Investment Objectives

The Magellan Funds have two principal Investment Objectives:

- to achieve superior risk adjusted investment returns over the medium to long-term; and
- to minimise the risk of permanent capital loss.

Our Investment Philosophy and Portfolio Construction Guidelines for each Magellan Fund are consistent with these Investment Objectives.

Magellan Investment Philosophy

Our Investment Philosophy is simple to state. We aim to find outstanding companies at attractive prices. We consider outstanding companies to be those that have sustainable competitive advantages which translate into returns on capital materially in excess of their cost of capital for a sustained period of time.

Investing in Magellan Funds

A minimum initial investment of \$20,000, and subsequent investment of \$5,000, applies to each of the Magellan Funds, unless an investor chooses to participate in a regular monthly investment plan.

If an investor chooses to participate in a regular monthly investment plan, a minimum initial investment of \$10,000 and a minimum regular monthly investment of \$200 applies to investments in each of the Magellan Funds.

The Manager may in its absolute discretion waive these minimum requirements.

Applications to invest in a Magellan Fund will be processed daily. Refer **Sections 2** and **9** for further details.

Letter to Investors from Hamish Douglass, Chairman

Dear Investor,

We are pleased to offer you an opportunity to invest in a specialised and focused global equity fund (**Magellan Global Fund**) and a specialised global infrastructure fund (**Magellan Infrastructure Fund**) (collectively, **Funds** or **Magellan Funds**).

The primary Investment Objectives of Magellan Global Fund and Magellan Infrastructure Fund are to achieve superior risk adjusted returns over the medium to long-term while minimising the risk of permanent capital loss.

Our Investment Philosophy is simple to state. We aim to find outstanding companies at attractive prices. We consider outstanding companies to be those that have sustainable competitive advantages which translate into returns on capital materially in excess of their cost of capital for a sustained period of time. These companies are rare as capitalism is very efficient in competing away excess returns, in most cases. An outstanding company will usually have some or (ideally) all of the following characteristics:

- A wide economic moat. An economic moat refers to the protection around an economic franchise which enables a company to earn returns materially in excess of the cost of capital for a sustained period of time. A company's economic moat will usually be a function of some form of sustainable competitive advantage.
- A moderate to high potential to continue to re-invest capital into the business at high incremental returns. This is a very important metric which is often overlooked by investment analysts.
- Low business risks. We assess business risk taking into account factors such as cyclicity, operating leverage, financial leverage, competitive strength, regulatory and political environment and profitability. We carefully assess business risk to determine the certainty of cash flow and earnings projections which are central to making an assessment of intrinsic value.
- Low agency risks. Agency risk refers to the risk surrounding the deployment of the free cash flow generated by a business.

I encourage you to read **Sections 3.3** and **4.2** of this PDS which sets out our Investment Philosophy in more detail.

In selecting potential investment opportunities, we utilise the investment skills of 13 investment professionals. These professionals are organised into three specialised globally focused sector teams; infrastructure, financial services, and consumer and retail. We believe that these sectors are highly attractive and many of the leading companies in these sectors exhibit characteristics consistent with our Investment Philosophy. Our investment team is led by our Chief Investment Officer, Chris Mackay. I am the Portfolio Manager for Magellan Global Fund and Gerald Stack is the Portfolio Manager for Magellan Infrastructure Fund.

It is anticipated that the investment portfolio for Magellan Global Fund will comprise 25 to 50 individual investments and for Magellan Infrastructure Fund will comprise 15 to 35 individual investments. Both portfolios will be weighted towards our highest conviction investment ideas.

Magellan Financial Group, the parent company of Magellan Asset Management, has invested \$15 million in Magellan Global Fund and \$5 million in Magellan Infrastructure Fund.

Please read this PDS carefully before making your investment decision as it contains detailed information about Magellan Global Fund and Magellan Infrastructure Fund, the investment team and the Responsible Entity.

I look forward to welcoming you as an investor in our Magellan Funds.

Yours sincerely



Hamish Douglass
Chairman, Magellan Asset Management Limited

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1.0 Key Features

1.1 Magellan Global Fund

FEATURE	OVERVIEW	SECTION
Opportunity	We offer investors an opportunity to invest in a specialised and focused global equity fund. Our investment universe will primarily consist of companies and businesses in the global financial services, consumer and retail, and infrastructure sectors.	Section 4
Portfolio Construction	We believe that an appropriately structured portfolio of 25 to 50 investments will achieve sufficient diversification to ensure a portfolio is not overly correlated to a single company, industry specific or macroeconomic risks. We focus on assessing the correlation of underlying business drivers to achieve sufficient diversification within a portfolio.	Section 4
Risks	Refer Section 6 for information about risks associated with investing in Magellan Global Fund which should be considered carefully before investing.	Section 6
Establishment Fee	Nil	Section 8
Contribution Fee	Up to 1.25% paid from your contribution*	Section 8
Withdrawal Fee	Nil	Section 8
Termination Fee	Nil	Section 8
Administration Fee	0.10% per annum*	Section 8
Management Fee	1.26% per annum*	Section 8
Performance Fees	10.10%* of each Unit's total return each Calculation Period. Our Performance Fees are subject to a double performance hurdle – an index relative hurdle (Morgan Stanley Capital International World Index Total Return (Net Dividends)) and an absolute return hurdle (Australian Government 10-year bond yield). This means that the performance of Magellan Global Fund must pass both these benchmarks before any Performance Fees are payable. Additionally, the Performance Fees are subject to a high water mark. Any Performance Fee will be reduced to the extent that it causes the total return to fall below either hurdle or the high water mark.	Section 8
Investment Switching Fee	Nil	Section 8
Transaction Costs	0.25%	Section 8
Investing in Magellan Funds	Applications received on a Business Day prior to 12pm (Sydney time) will be processed using that day's entry Unit price.	Section 9
Withdrawals	Withdrawal requests received on a Business Day prior to 12pm (Sydney time) will be processed using that day's exit Unit price and generally paid within seven working days.	Section 9
Distributions	Where income is available, distributions will be made annually for the period ending 30 June each year. (New Zealand resident investors should also refer to Section 11).	Section 9
Taxation	Refer Section 10 for Australian resident investors and Section 11 for New Zealand resident investors for information about the tax issues associated with investment in Magellan Global Fund.	Section 10

* All fees inclusive of the net effect of GST. See **Section 8** for further details regarding the impact of GST.

1.2 Magellan Infrastructure Fund

FEATURE	OVERVIEW	SECTION
Opportunity	We offer investors an opportunity to invest in a specialised and focused global infrastructure fund, with the aim of providing consistent long-term absolute returns which exceed the risk adjusted returns expected of the asset class. Our investment universe is any entity listed on a global stock exchange whose primary business is the ownership and operation of infrastructure assets.	Section 5
Portfolio Construction	We anticipate that the portfolio will comprise 15 to 35 individual investments, with the portfolio weighted towards our highest conviction ideas. We believe that such a portfolio will achieve sufficient diversification to ensure the portfolio is not overly correlated to a single company, industry specific, country specific or macro-economic risks.	Section 5
Risks	Refer Section 6 for information about significant risks associated with investing in Magellan Infrastructure Fund which should be considered carefully before investing.	Section 6
Establishment Fee	Nil	Section 8
Contribution Fee	Up to 1.25% paid from your contribution*	Section 8
Withdrawal Fee	Nil	Section 8
Termination Fee	Nil	Section 8
Administration Fee	0.10% per annum*	Section 8
Management Fee	0.96% per annum*	Section 8
Performance Fees	10.10%* of each Unit's total return each Calculation Period. Our Performance Fees are subject to a double performance hurdle – an index relative hurdle (UBS Global Infrastructure and Utilities Net Total Return Index (\$A Hedged)) and an absolute return hurdle (Australian Government 10-year bond yield). This means that the performance of Magellan Infrastructure Fund must pass both these benchmarks before any Performance Fees are payable. Additionally, the Performance Fees are subject to a high water mark. Any Performance Fee will be reduced to the extent that it causes the total return to fall below either hurdle or the high water mark.	Section 8
Investment Switching Fee	Nil	Section 8
Transaction Costs	0.25%	Section 8
Investing in Magellan Funds	Applications received on a Business Day prior to 12pm (Sydney time) will be processed using that day's entry Unit price.	Section 9
Withdrawals	Withdrawal requests received on a Business Day prior to 12pm (Sydney time) will be processed using that day's exit Unit price and generally paid within seven working days.	Section 9
Distributions	Where income is available, distributions will be made annually for the period ending 30 June each year. (New Zealand resident investors should also refer to Section 11).	Section 9
Taxation	Refer Section 10 for Australian resident investors and Section 11 for New Zealand resident investors for information about the tax issues associated with investment in Magellan Infrastructure Fund.	Section 10

* All fees inclusive of the net effect of GST. See **Section 8** for further details regarding the impact of GST.

2.0 Investing in Magellan Funds

2.1 Applying

To invest in a Magellan Fund you must complete the Application Form accompanying this PDS. Applications will be processed daily. Applications received on a Business Day prior to 12pm (Sydney time) will be processed using that day's entry Unit price.

In extraordinary circumstances, we may suspend applications. We may reject applications at our discretion.

Any interest payable on application monies will accrue to the benefit of the relevant Magellan Fund.

2.2 Minimum Investment Amount

A minimum initial investment of \$20,000, and subsequent investment of \$5,000, applies to each of the Magellan Funds, unless an investor chooses to participate in a regular monthly investment plan.

If an investor chooses to participate in a regular monthly investment plan, a minimum initial investment of \$10,000 and a minimum regular monthly investment of \$200 applies to investments in each of the Magellan Funds.

The Manager may in its absolute discretion waive these minimum requirements.

2.3 Regular Investment Plan

Investors wishing to invest regularly in a Magellan Fund may do so by completing the relevant section of the Application Form and the direct debit authority in the Application Form. Funds are drawn from your bank account on the first Business Day after the 19th of each month.

You can choose to have your regular investment automatically increased by a percentage based on the Consumer Price Index (or 3%, whichever is the greater). Please nominate this on the Application Form.

2.4 Who May Wish to Invest

The Magellan Funds are open to investors resident in Australia and New Zealand.

Persons (including individuals, superannuation funds and companies) who may wish to invest in a Magellan Fund include those who:

- want to diversify their investment portfolios from Australian and New Zealand shares; and/or
- have an appreciation of the risks associated with global investments and/or infrastructure.

You should consult your financial adviser before investing in a Magellan Fund.

2.5 Indirect Investors

You may invest indirectly in a Magellan Fund through an investor directed portfolio service (**IDPS**), such as a master fund or other portfolio administration service. As an Indirect Investor, you may rely on and are authorised to use the information in this PDS to direct the operator of the IDPS to invest in a Magellan Fund on your behalf. An Indirect Investor does not become a Unit holder in a Magellan Fund. Accordingly, an Indirect Investor does not acquire the rights of a Unit holder or acquire any direct interest in a Magellan Fund. The operator or manager of the IDPS acquires these rights (including the right to vote at meetings) and can exercise, or decline to exercise them, on behalf of the person according to the arrangements governing the IDPS. A person who invests in a Magellan Fund through an IDPS should note that information in this PDS may be relevant only for direct investors. This includes information relating to:

Application Form

A person investing in a Magellan Fund through an IDPS should not complete the Application Form accompanying this PDS. An Indirect Investor should complete the application form supplied by the operator of the IDPS.

Information

An Indirect Investor will not receive statements, tax information or other information directly from the Manager. An Indirect Investor should receive equivalent information from the operator of the IDPS.

Withdrawals

Provisions which relate to withdrawals from a Magellan Fund will apply to the operator of the IDPS and not the Indirect Investor.

Fees and Expenses

Fees and expenses applicable to the IDPS (and set out in the IDPS offer document or client agreement) are payable in addition to the fees and expenses stated in this PDS.

Tax

The taxation consequences of investing in a Magellan Fund are set out in **Section 10** which does not consider the treatment of Indirect Investors. You should consult your tax adviser in relation to investing through an IDPS.

Cooling-off

Indirect Investors should consult their IDPS operator about what cooling-off rights (if any) may apply.

Complaints Handling

As an Indirect Investor, your first point of contact for any complaints in relation to an investment in a Magellan Fund will be your IDPS operator.

3.0 Investment Strategy

3.1 Investment Overview

We believe that it is opportune for Australian and New Zealand investors to diversify part of their investment portfolios into international investment opportunities. We also believe that there are attractive investment opportunities available in offshore markets, particularly in our core areas of focus; infrastructure, financial services, and consumer and retail.

We aim to provide access to an investment team with a depth of business management, business assessment, capital allocation, corporate finance, risk management and investment management experience. Our Chief Investment Officer is Chris Mackay who was previously Chairman and Chief Executive of UBS Investment Bank in Australasia. The Portfolio Manager of Magellan Global Fund is Hamish Douglass who is the Chairman of Magellan Financial Group Limited and, previously, Co-Head of Global Banking at Deutsche Bank Australasia. Gerald Stack is the Portfolio Manager of Magellan Infrastructure Fund. Further information about Hamish Douglass, Chris Mackay, Gerald Stack and the other key members of our investment team are set out in **Section 7**.

The Magellan Funds will enable investors to combine the benefits of international diversification, with an Australian-based investment manager having on-the-ground accountability to Australian and New Zealand investors.

3.2 Investment Objectives

The Magellan Funds have two principal Investment Objectives:

- to achieve superior risk adjusted investment returns over the medium to long-term; and
- to minimise the risk of permanent capital loss.

Our Investment Philosophy and Portfolio Construction Guidelines for each of Magellan Global Fund and Magellan Infrastructure Fund are consistent with these Investment Objectives.

3.3 Investment Philosophy

Our Investment Philosophy is simple to state. We aim to find outstanding companies at attractive prices. We consider outstanding companies to be those that have sustainable competitive advantages which translate into returns on capital materially in excess of their cost of capital for a sustained period of time. While we are extremely focused on fundamental business value, we are not typical “value” investors. Securities that appear undervalued on the basis of a low price to earnings multiple or a price to book multiple will often prove to be poor investments if the underlying business is fundamentally weak and exhibits poor returns on capital. We will buy companies that have both low and higher price to earnings and price to book multiples provided that the business is outstanding and the shares are trading at an appropriate discount to our assessment of intrinsic value.

An outstanding company will usually have some or (ideally) all of the following characteristics:

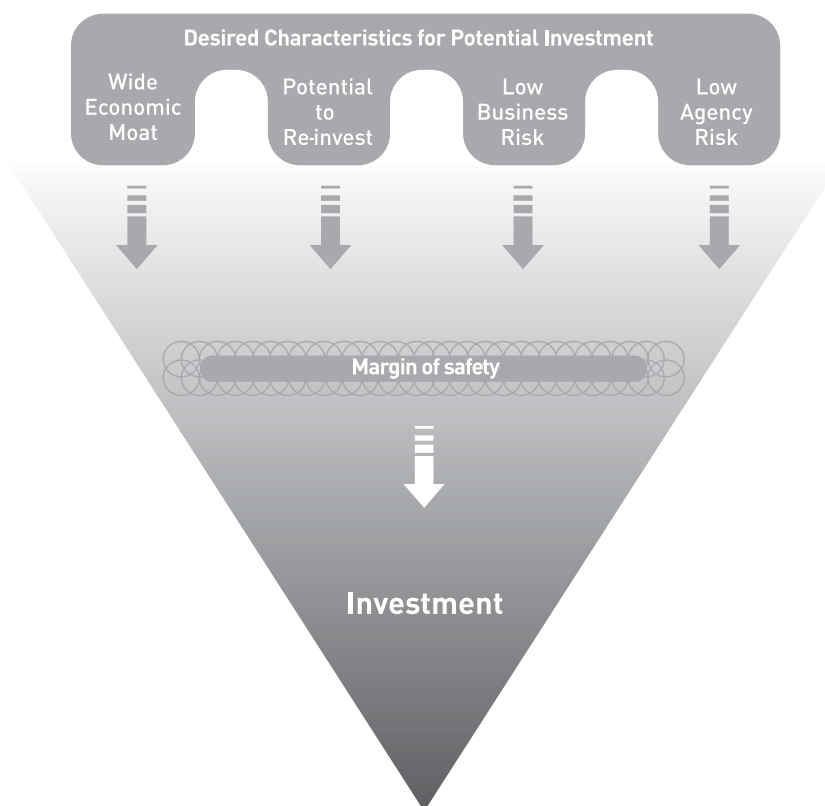
- A wide economic moat. An economic moat refers to the protection around an economic franchise which enables a company to earn returns materially in excess of the cost of capital for a sustained period of time. A company’s economic moat will usually be a function of some form of sustainable competitive advantage.
- A moderate to high potential to continue to re-invest capital into the business at high incremental returns. This is a very important metric which is often overlooked by investment analysts.
- Low business risks. The purpose of assessing business risk is to determine the predictability of cash flow and earnings projections. Businesses which are difficult to predict or could exhibit large variations in cash flows and earnings have high inherent business risk.
- Low agency risk. The fundamental assumption that free cash flows are returned to shareholders or are re-invested at the cost of capital is often flawed as free cash flow is often not returned to shareholders, but rather cash is re-invested by companies at returns below the cost of capital. We term the risk surrounding the deployment of the free cash flow generated by a business as ‘agency risk’.

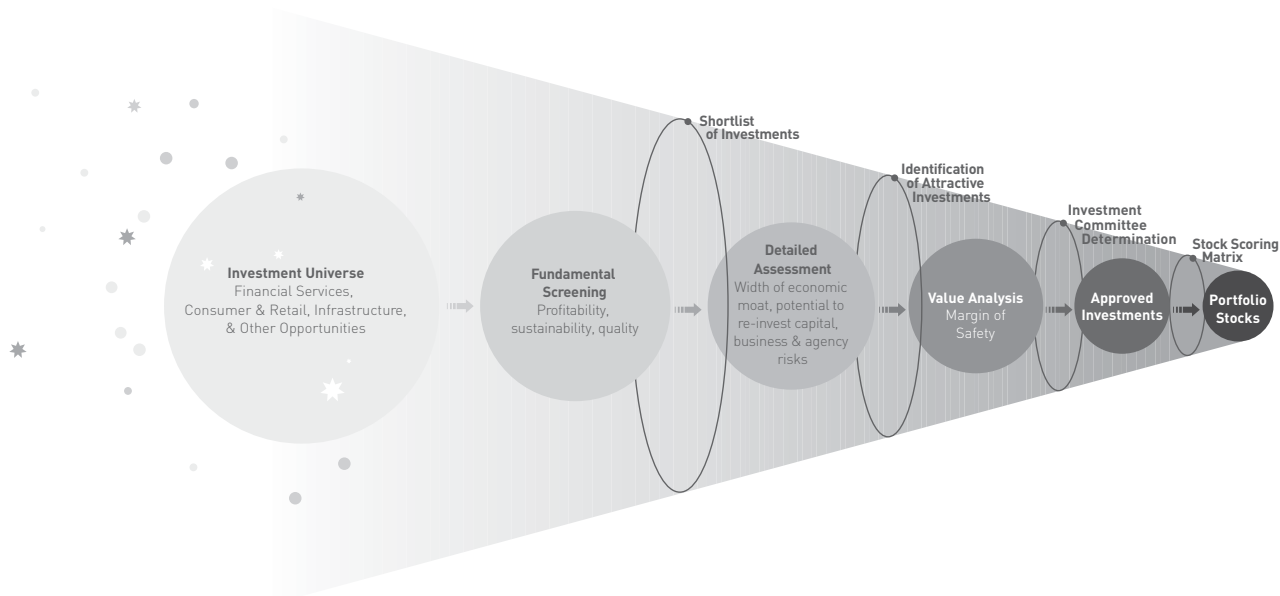
An ideal investment will normally have a number of combined favourable attributes operating together which would illustrate what Charlie Munger of Berkshire Hathaway describes as a “Lollapalooza” effect (which is a term for factors which will reinforce and greatly amplify each other).

We will then purchase an investment when there is a sufficient “margin of safety”. The margin of safety is the discount we require before buying shares of a company. The bigger the assessed discount, the wider is our margin of safety. There are some exceptional businesses where the “Lollapalooza” effect is truly at work and the moat is so wide and the risks are so low that we will invest with a very modest margin of safety. It is more usual to find companies which do not have all the reinforcing factors at play which results in a higher level of risk and requires a higher margin of safety.

The available margin of safety, we believe, is driven, in part, by prevailing market psychology. While not a driver of a company’s quality or intrinsic value, the markets can have a profound, albeit rarely long-term, effect on the pricing of a company’s shares. When short-term issues or concerns are worrying investors or other factors are resulting in excess enthusiasm (that is, irrational exuberance), shares will often be mis-priced relative to intrinsic value. While our process can make us appear to be out of step with trends, investing contrary to consensus thinking has the potential to provide investment opportunities. Understanding where current market sentiment lies and assessing the company within the context of whether the concern or excitement is being appropriately priced, is an important step in investing.

The assessment criteria we apply in evaluating potential investments are depicted in the diagram below.





3.4 Investment Process

We will implement our Investment Philosophy to find outstanding companies at attractive prices by the investment process depicted in the diagram above and discussed in greater detail below.

Investment Universe

The investment universe for each Magellan Fund is described in **Sections 4** and **5**.

Fundamental Screening

We will undertake bottom-up research across each investment universe to seek to identify a short list of potential attractive investment opportunities for each Magellan Fund. The research process will utilise quantitative and qualitative investment filters to identify whether an investment potentially meets the desired investment characteristics outlined in the Investment Philosophy. From this fundamental screening process, we will compile a list of opportunities on which we will undertake a detailed assessment.

Detailed Assessment

We will leverage the skills and experience of our investment team to conduct a detailed assessment of the opportunities for each Magellan Fund that have been identified by the fundamental screening process as meeting the investment criteria.

Once the detailed assessment has been completed, we will compile a list of the most attractive opportunities for each Fund on which we will undertake an assessment of their intrinsic value.

Value Analysis

We will assess the intrinsic value (that is, the discounted value of future cash flows that we expect to receive from the investment) of an investment identified by the fundamental screening and detailed assessment processes.

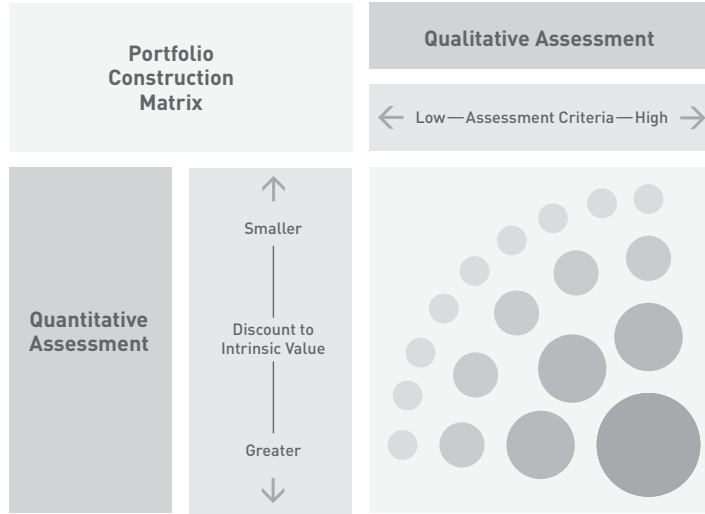
After assessing intrinsic value, we will compare this value to the prevailing market price of the entity's securities to establish whether there is a sufficient 'margin of safety'.

Investment Committee approval

Following completion of our value analysis, the investment analysts will complete an internal research report on the company and present this research report to the Investment Committee for approval as an investment grade investment opportunity.

Only investments which have been through Magellan's rigorous investment process can be considered by the relevant Portfolio Manager for inclusion in the relevant Fund's portfolio.

A larger circle implies a greater portfolio weighting. Note: this diagram is indicative only.



Portfolio Selection

Following the approval of an investment opportunity by the Investment Committee, the relevant Portfolio Manager has the responsibility and accountability to make the decision whether to include the investment in the relevant portfolio. The Portfolio Manager undertakes a quantitative and qualitative assessment of approved investment opportunities. We utilise a proprietary ranking tool called the “Magellan Conviction Scoring Matrix” which ranks companies based on quantitative and qualitative factors consistent with our Investment Philosophy.

The diagram above depicts our portfolio construction process conceptually.

- the directors and/or management of a portfolio company behave against the interests of shareholders in our judgement;
- there are other more attractive opportunities available, particularly having regard to the primary Investment Objectives;
- we believe that we have been wrong about the business economics of a company or the company has not performed to expectations; or
- a position has become so large in the investment portfolio due to share price appreciation that it is prudent to sell part of the position for risk management purposes.

3.5 Selling Discipline

We will assess whether to sell investments in a Magellan Fund portfolio, including where:

- the value of a company materially exceeds the price that a prospective purchaser would pay for the whole company, adjusted for potential re-structuring, re-leveraging or synergy benefits;
- the medium to long-term underlying fundamentals of a formerly impregnable business franchise of a portfolio company have materially weakened;

3.6 Borrowing Limitation

Each Fund may borrow against all or part of its investment portfolio provided that, at the time any new borrowing is entered into, the aggregate of those new borrowings and any pre-existing borrowings must not exceed 20% of the gross asset value of that Magellan Fund.

3.7 Short Selling Limitation

Short selling transactions with no effective hedge will not be permitted in the portfolio.

3.8 Permitted Investments

Each Magellan Fund may invest in a wide variety of assets, including but not limited to the following:

- Securities quoted (or soon to be quoted) on an international securities exchange or the ASX.
- Specialised international and Australian investment trusts and other pooled investment vehicles, including certain unlisted securities.
- Options to purchase or sell any investment which is a permitted investment.
- Discounted or purchased bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or any corporation.
- Convertible notes or preference shares.
- Equity swaps.
- Foreign exchange contracts.

3.9 Investment Considerations

The Manager does not take into account labour standards or social, environmental or ethical considerations when making investment decisions in respect of a Magellan Fund.



MAG

Magellan Global Fund



4.0 Magellan Global Fund

Magellan Global Fund offers investors an opportunity to invest in a specialised and focused global equity fund.

We will aim to find outstanding companies at attractive prices. We consider outstanding companies to be those that have sustainable competitive advantages which translate into returns on capital materially in excess of their cost of capital for a sustained period of time. We will then endeavour to acquire these companies at a discount to their assessed intrinsic values.

4.1 Investment Universe

Our investment universe will primarily consist of companies and businesses in the global financial services, consumer and retail, and infrastructure sectors. We believe that these sectors are highly attractive, with many of the leading companies in these sectors exhibiting characteristics which we are looking for in seeking outstanding companies. Our current investment team of 13 professionals has been developed with specific sector expertise in mind.

From time to time, we may invest outside of these sectors and in situations such as merger arbitrage, spin-offs, re-structuring and break-up transactions. Typically, however, any such investments will be less than 10% of the portfolio, with an absolute limit of 25% of the portfolio allocated to such investments.

4.2 Assessment Criteria

Economic Moat

Outstanding companies are unusual as capitalism is very efficient at competing away excess returns, in most cases.

An economic moat refers to the protection around an economic franchise which enables a company to earn returns materially in excess of the cost of capital for a sustained period of time. A company's economic moat will usually be a function of some form of sustainable competitive advantage.

A strong indicator as to whether a company possesses an economic moat is the historical returns on capital (both including and excluding intangible assets) it has achieved. If a company has earned returns materially above the cost of its capital for a sustained period, it is a good indication that a company may have an economic moat. In some cases, a company may be developing a strong economic moat, but its historical returns on capital are low reflecting the investment in building a business with long-term sustainable competitive advantages. The key lesson is that historical returns on capital do not necessarily indicate whether a business has a wide economic moat and it is critical to fully understand the competitive advantages and threats which protect and threaten a company's economic franchise.

Identification of companies with wide economic moats involves consideration and assessment of the barriers to entry, the risks of substitutes, the negotiating power of buyers and suppliers to a company and intensity of rivalry amongst competitors.

The following are illustrations of sustained competitive advantages:

- Where it is very expensive for consumers to shift from the incumbent provider (that is, where there is a low threat of substitutes) because of, for example, cost, inconvenience and/or regulatory restrictions.
- Where the leading market participant has material economies of scale which gives it a significant cost advantage over competitors or new entrants.
- Where the business has a strong and unique brand name or is protected by long-term intellectual property rights such as copyright, patents, trademarks and/or regulatory approvals.
- Where a company has a very strong network (ideally monopoly or proprietary). For example, where it is the vital intermediary between buyers and sellers, a market maker or even a ring road that tolls workers and businesses use as they move people and goods. We are particularly interested in networks where access, pricing and volume are subject to market forces and are not regulated in a materially adverse manner.
- Where the use of psychological imperatives (such as, safety, exclusivity and quality) drives customer loyalty and enables companies to charge a premium for their products or services.

Each of these sustained competitive advantages is relatively unusual and it is particularly valuable where a strong competitive advantage prevails over a long period of time. Market-based monopolies and proprietary networks can provide the strongest and most sustainable competitive advantages, but are extraordinarily rare.

Re-investment Potential

We believe that conventional investment analysis fails to properly assess the potential of a business to deploy material amounts of additional capital into the business at attractive rates of return. This is a fundamental driver of value over time.

The most attractive types of companies are either:

- Companies with wide economic moats which can continue to grow materially with very limited additional capital. These companies will exhibit rising returns on capital employed. These types of businesses are extraordinarily rare and extremely valuable.
- Companies with wide economic moats which have opportunities to deploy material amounts of capital into the business at high incremental rates of return. Examples include a strong retail franchise with substantial roll-out opportunity, or a retail banking or financial services franchise that can continue to grow its lending activities at attractive margins. These types of businesses are rare and can be very valuable “compounding machines”.

It is more usual to find businesses with wide economic moats which can only deploy very modest amounts of capital and exhibit modest growth potential. These businesses, while attractive, are less likely to be “compounding machines” than those with material high return re-investment opportunities.

We are therefore very focused on assessing a company’s ability to continue to re-invest free cash flow at high rates of return. It is factors such as, store roll out potential, global expansion potential, the size of the market and market share potential, and market growth rates, which will drive this re-investment potential.

We judge re-investment potential as low, medium or high depending on the level of re-investment over the medium term as a percentage of net income, and the rate of return expected to be achieved.

Business Risks

The purpose of assessing business risk is to determine the predictability of cash flow and earnings projections. Businesses which are difficult to predict or could exhibit large variations in cash flows and earnings have high inherent business risk.

We assess business risk taking into account factors such as cyclical, operating leverage, operating margin, financial leverage, competitive strength, regulatory and political environment and profitability.

We assign each company a risk assessment: low, medium and high. This is not an attempt to measure the volatility of the shares, but rather the predictability and strength of the underlying business.

Agency Risks

A fundamental assumption inherent in a standard discounted cash flow valuation (DCF) is that free cash flows are returned to shareholders or are re-invested at the cost of capital. The reality is that this assumption is often flawed as free cash flow is often not returned to shareholders but, rather, cash is re-invested by companies at returns below the cost of capital. In these cases, businesses can end up being worth substantially less than implied by a DCF analysis. We term the risk surrounding the deployment of the free cash flow generated by a business as “agency risk”.

A company which can deploy a substantial amount of free cash flow back into the business at attractive returns for a sustained period of time will almost certainly carry lower agency risk than a company which has limited opportunities to re-invest capital at attractive returns, unless the company is explicit about returning excess cash flow to shareholders via dividends and/or share buy-backs.

In assessing agency risk, we look at factors, including the structure and level of incentives offered to senior management, the level of share ownership by senior management and directors, the track record of management in pursuing acquisitions, the desire of management to grow their empire and the track record of management and the Board in acting in a shareholder friendly manner, including returning free cash flow to shareholders via share buy-backs and/or dividends.

4.3 Portfolio Construction

Magellan Global Fund seeks to have sufficient diversification so the portfolio is not overly correlated to a single company or industry specific or macroeconomic risks. In theory, if a portfolio is fully diversified the portfolio would only be subject to market risk. Academic research supports the conclusion that a randomly selected equally weighted portfolio of approximately 25 to 50 investments will achieve similar diversification to investing in the entire market index. While Magellan Global Fund will hold 25 to 50 investments, the portfolio will neither be equally weighted nor randomly selected.

We do not randomly select companies to invest in but, rather, undertake extensive research in order to identify outstanding companies and then weight the portfolio towards our highest conviction ideas. It would be inconsistent with our Investment Philosophy to fully diversify the portfolio, by randomly selecting and equally weighting investments or significantly increasing the number of investments in the portfolio, as this would reduce an investor's exposure to the most compelling ideas and is likely to lead to market-based investment returns.

We believe that an appropriately structured portfolio of 25 to 50 investments will achieve sufficient diversification to ensure the portfolio is not overly correlated to a single company, industry specific or macroeconomic risks. The most important factor in achieving sufficient diversification within the portfolio is assessing how individual investments are correlated with each other. In assessing individual investment correlation, our primary methodology is to undertake an assessment of fundamental business characteristics of each company in the portfolio. We also review historical share price correlations.

We have a three-tier classification process for approved investment opportunities. This process reflects the Portfolio Manager's quantitative and qualitative assessment of the relative attractiveness of approved investment opportunities. We utilise a proprietary ranking tool called Magellan Conviction Scoring Matrix which ranks companies based on quantitative and qualitative factors consistent with our Investment Philosophy. This process is a critical part of weighting the portfolio towards the highest conviction ideas.

It is anticipated that the portfolio will comprise 25 to 50 individual investments with the following general guidelines:

- 5-10 "Tier I" investments each comprising 5% to 10% of the portfolio at the time of the initial investment. These investments will exhibit high quality characteristics and will be trading at a large discount to our assessment of their intrinsic value.
- 10-20 "Tier II" investments each comprising 2% to 5% of the portfolio at the time of the initial investment. These investments will typically exhibit characteristics similar to Tier I investments, but will be slightly less attractive on one or two metrics.
- 10-20 "Tier III" investments each comprising less than 2% of the portfolio at the time of the initial investment. These investments will often be trading at a smaller discount to intrinsic values than Tier I and Tier II positions or will be trading at large discounts to intrinsic value, but will have less attractive investment attributes than Tier I and Tier II positions. Importantly, Tier III positions will often provide attractive diversification benefits for the portfolio.

4.4 Foreign Exchange Hedging Strategy

It is intended that Magellan Global Fund will be managed on an unhedged basis, however, in exceptional and limited circumstances the Manager may elect to hedge currency exposure to a major currency such as the Australian dollar or the United States dollar.



MIFG

Magellan Infrastructure Fund



5.0 Magellan Infrastructure Fund

Magellan Infrastructure Fund offers investors an opportunity to invest in a specialised and focused global infrastructure fund. We aim to provide investors with access to consistent long-term absolute returns which exceed the risk adjusted returns expected of the asset class.

Infrastructure assets are characterised by two key criteria:

- the asset is required for the efficient functioning of a community. As a result, demand for the asset, or the service it provides, will be robust through time; and
- minimal, if any, competition from competitors.

While the infrastructure asset class has grown rapidly in recent years, it is relatively immature compared to other more established asset classes, such as property or fixed interest securities. As with any new asset class, attractive investment opportunities become available from time to time because participants in the investment markets have less experience in assessing such investments. In addition to existing infrastructure investment opportunities, we expect that on a global basis the ongoing requirement for infrastructure renewal, combined with an increasing desire on the part of governments to limit indebtedness, will lead to ongoing privatisation activity and a consequent increase in private infrastructure investment opportunities.

In addition, infrastructure assets are often held within complex corporate structures that make reliable analysis more difficult to achieve. Our infrastructure investment team has developed a detailed and disciplined investment management process that focuses on identifying and exploiting those opportunities that offer superior risk adjusted returns.

5.1 Investment Universe

The investment universe for Magellan Infrastructure Fund includes but is not limited to all entities listed on any stock exchange whose primary business is the ownership and operation of infrastructure assets. The infrastructure sector includes sectors such as transport (for example, toll roads, airports, railways and ports), utilities (for example, water, gas and electricity transmission and distribution) and social (for example, hospitals and schools).

5.2 Assessment Criteria

Magellan Infrastructure Fund will be managed consistently with Magellan's Investment Philosophy and Investment Process. As an asset class, infrastructure investments have a number of unique characteristics which are consistent with Magellan's Investment Philosophy.

Economic Moat

Infrastructure has core characteristics that provide it with structural qualities implicit in the Magellan Investment Philosophy.

- **Robust earnings through economic cycles:** Infrastructure assets generate their revenue from necessary basic services to a community or region. Such services are required irrespective of economic conditions and the revenues they generate are largely unaffected by changes to economic cycles;
- **Long-term life:** Infrastructure assets typically have very stable, long-term revenue streams;
- **Monopolistic in nature:** Infrastructure assets face little to no competition thereby increasing the predictability of future revenue generation;
- **High earnings margins:** Infrastructure assets typically generate high earnings margins, so changes to revenue have a more limited affect on net earnings;
- **Inflation hedge:** Infrastructure assets can provide a suitable defence to inflation as the revenue of the assets is often linked to inflation;

- **Low Risk:** The highly predictable and defensive nature of an infrastructure asset's cash flows lowers the risk of investment;
- **Low correlation with other asset classes:** The characteristics of the asset class exhibit low correlation with other asset classes thereby providing investors with diversification to other traditional asset classes, such as equities, fixed interest and property.

Re-Investment Potential

Typically, infrastructure assets are held by entities holding a single asset and therefore they have a limited ability to re-invest further capital. There are a more limited number of infrastructure companies that undertake the development of greenfields infrastructure assets and we therefore need to assess the capability of these companies and their ability to re-invest capital into such assets at attractive returns.

Business Risks

Infrastructure assets typically have more predictable earnings than industrial companies, and hence the business risks surrounding infrastructure investment are much lower. However, Magellan's infrastructure investment process requires a detailed assessment of all variables which might impede the future cash flow of an asset. This includes operational risks, debt serviceability, management competency and regulation, amongst other things. Regulation is a key element in infrastructure. While it may be considered a risk, a detailed and thorough review of the regulatory framework allows it to be readily quantified into the investment equation.

Agency Risks

As outlined above, a fundamental assumption inherent in a standard DCF valuation is that free cash flows are returned to shareholders or are re-invested at the cost of capital. This assumption is particularly important in the case of infrastructure assets as many infrastructure investments are in the form of entities that own a single asset. In such cases, ensuring that the free cash flows generated by the asset are returned to shareholders is key.

5.3 Portfolio Construction

Magellan Infrastructure Fund undertakes extensive, rigorous research in order to identify outstanding infrastructure investment opportunities and then weights the portfolio towards those opportunities that offer the greatest risk adjusted returns.

We expect that the infrastructure portfolio will hold 15 to 35 companies and will achieve sufficient diversification to ensure the portfolio is not overly correlated to single company, industry specific, country specific or macro-economic risks. The ultimate number of securities held in the portfolio will be a function of the relative opportunities available and the confidence interval which surrounds each opportunity.

Portfolio construction occurs on two levels:

- The process seeks to allocate capital to those individual infrastructure securities that are expected to generate optimal risk adjusted returns.
- The process seeks to ensure that the portfolio is adequately diversified across different factors.

Portfolio construction will be primarily driven by valuation, with target portfolio weightings for each entity determined by the relative intrinsic value premiums assessed by Magellan's Infrastructure Team. As a result, the portfolio will be constructed based on long-term value and not based on index construction.

5.4 Foreign Exchange Hedging Strategy

The foreign currency exposure of Magellan Infrastructure Fund will be hedged where considered appropriate by the Manager.

6.0 Risks

An investment in a Magellan Fund involves risk, including that the value of the investment could fall or be entirely lost or that expected distributions are lower than expected or not paid.

There can be no assurance that a Magellan Fund's investment objectives will be achieved or that its investment program will be successful. Investors should consider any investment in a Magellan Fund as a supplement to an overall investment program and should invest only if they are willing to undertake the risks involved. Unit holders in a Magellan Fund could lose some or all of their investment in a Magellan Fund.

Prospective investors should consider the following risks in determining whether an investment in a Magellan Fund is suitable for them. They should seek professional advice before investing. The summary below is a guide only and not an exhaustive list of all the risks of investing in a Magellan Fund.

No guarantee or representation is made that a Magellan Fund will be successful, that there will be any distributions or that the capital value will grow or be maintained.

We recommend that you should consult your financial adviser before investing in a Magellan fund.

6.1 Risks Applicable to Magellan Funds

General Risks

Risk factors which may have a significant affect on the performance of each Magellan Fund or the value of its Units include:

- The future earnings and market price of the securities of the companies in which the relevant Magellan Fund invests, which in turn may be affected by any of the following risk factors:
 - the financial and operational performance of those companies;

- the liquidity of the market for the securities of those companies (eg there may be a smaller total market capitalisation or be thinly traded and, therefore, have to be sold at a discount from current market prices or sold in small lots over an extended period of time. There may also be an interruption of regular trading in a market, or for a particular asset of the Fund);
 - the dividend payments made by those companies and, in the case of Australian companies, the level of franking credits attached to those dividends;
 - movements in domestic and international share and securities markets;
 - changes in general economic conditions;
 - movements in the level of short and long-term interest rates;
 - variations in commodity prices;
 - movements in foreign exchange rates;
 - the global security situation and the possibility of terrorist disturbances;
 - changes in regulatory and governmental policy; and
 - changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws.
- The success of the Investment Philosophy of a Magellan Fund and the investment processes of the Manager. The Investment Philosophy and processes may be speculative and carry uncertainty and they may be subject to factors such as market conditions, timing and being able to execute the processes. The success of a Magellan Fund depends upon the Manager's ability to develop and implement investment processes and identify investment opportunities that achieve the Investment Objectives of that Magellan Fund.
 - The ability of the Manager during the establishment period of the portfolio to make investments, which will depend on available investment opportunities and market conditions. Assets of a Magellan Fund may not be fully invested if investment opportunities are not available or market conditions are not suitable.

- The loss of key staff or directors of the Manager, particularly Hamish Douglass, Chris Mackay or Gerald Stack. The investment performance of a Magellan Fund is dependent on the talents, contacts and efforts of these key staff or directors. If one or more of these people depart and cannot be appropriately replaced, this could adversely affect the ability of the Manager to achieve the Investment Objectives of the relevant Magellan Fund.
- The ability of the Manager to retain its investment management team and the composition of that team. If key members of the investment management team depart and cannot be appropriately replaced, this could adversely affect the ability of the Manager to achieve the Investment Objectives of a particular Magellan Fund.
- The Manager actively seeks securities to invest in, rather than investing in a predetermined basket of securities such as an index. A Magellan Fund may underperform similar investments and products given our style of investing and our longer-term view of a company's intrinsic value.
- The need to obtain alternative investment management services in the event that the Manager retires or is removed as responsible entity of a Magellan Fund in accordance with the law.
- The possibility that the portfolio of a Magellan Fund may be less diversified than the portfolios of other managed investment funds investing in international and Australian companies. A Magellan Fund may from time to time be concentrated across a small number of securities, sectors, industries and geographies. A Magellan Fund may also participate in a limited number of investments, and as a consequence, the return of the relevant Magellan Fund may be substantially adversely affected by the unfavourable performance of even a single investment.
- The level of a Magellan Fund's Management Costs and other fees (see **Section 8**). Such Management Costs and fees will reduce the value of your investment. Management Costs of a Magellan Fund include Performance Fees and the amount of such Performance Fees will rise with the performance of that Magellan Fund, hence reducing the return you would have otherwise obtained.
- A Magellan Fund may gain exposure to an investment by way of borrowings or invest in financial products such as derivatives that give the same effect as using borrowings. Actual or effective borrowing within a Magellan Fund will magnify the impact of any movements in the prices of the underlying investments of that Magellan Fund and therefore the value of your investment. It may also create theoretically unlimited losses and positions that cannot be hedged. Consequently, these investments may produce more volatile gains or losses compared to investing in the same investments without making use of borrowings or a similar mechanism to borrow funds. Upon a winding up of a Magellan Fund, borrowing facilities of that Magellan Fund must be paid in full before any money may be distributed to Unit holders in that Magellan fund. If the total amounts available for distribution are insufficient, Unit holders may not recover any of their investment.
- The level of borrowing by a Magellan Fund. Although the Manager will be limited to borrowing up to only 20% of the gross asset value of the relevant Magellan Fund, a subsequent fall in the gross asset value of that Magellan Fund (for example, as a result of a severe adverse market movement), may cause the level of borrowings to exceed 20% of the gross asset value of that Magellan Fund at that subsequent time.
- The use of derivatives may give rise to additional risks, including the following:
 - the price of the derivative may not move in line with its underlying value, which will principally be a function of the value of the underlying asset;

- potential illiquidity of the derivative. There may be no exchange market, or limited liquidity in a market, on which to close out an open derivative position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk or liquidation of a position may be able to be achieved only at an unfavourable price or with high additional costs; or
 - counterparty risk (as described below).
- A Magellan Fund will be exposed to the risk counterparties to some of its investments and service providers to the Magellan Fund and its investments may not be able to fulfil their obligations to that Magellan Fund or its investments (for example, due to insolvency). In particular, some of the assets of a Magellan Fund may be held by or lent to service providers and other such persons where the Magellan Fund will rank equally with general creditors of such persons should they become insolvent. The Manager will, where practicable, typically seek counterparties and service providers which have a reasonable expectation of not defaulting (for example, low credit risk), although these risks cannot be eliminated entirely. Service providers (such as Merrill Lynch International) to a Magellan Fund may from time to time, also hold security over the assets so that they rank ahead of Unit holders or that Magellan Fund in recovering assets.
 - A Magellan Fund may, through its investments, have exposure to foreign investment risks not usually associated with investing in Australia. These risks may be increased to the extent that a Magellan Fund invests in an emerging market. These risks include:
 - political risks, such as difficulty in repatriating funds to Australia, appropriation of assets by a foreign government, adverse government policy and social, political and economic instability, changed circumstances in dealings between nations, adverse administration and economic monetary policy, changes in foreign exchange control;
 - difficulty enforcing rights and contractual obligations in foreign legal jurisdictions and extended settlement periods;
 - the possibility of unforeseen taxes being imposed including confiscatory taxation and withholding taxes; and
 - financial reporting, general disclosure in relation to and regulation of investments of a Magellan Fund, which may be less rigorous than under Australian standards.
 - In relation to a Magellan Fund's right to the return of assets equivalent to those of that Magellan Fund's investments which Merrill Lynch International ("MLI") borrows, lends or otherwise uses for its own purposes, that Magellan Fund will rank as one of MLI's unsecured creditors and, in the event of the insolvency of MLI, that Magellan Fund might not be able to recover such equivalent assets in full.
 - Certain investments of a Magellan Fund (for example, derivatives) may be governed by complex documents, the interpretation of which may be disputed and their enforceability challenged.
 - As a Unit holder you may not receive distributions when you expect them or in the way you have asked for them to be paid. Each Magellan Fund is not designed for investors seeking regular income payments. While a Magellan Fund must pay its distributable income each year there is no guarantee that there will be any generated. In certain circumstances, Unit holders may be liable for tax on distributions even if they have not received any distribution in cash.
 - Each of the Magellan Funds may have exposure to currencies and securities of emerging markets and thereby have exposure to risks not usually associated with investing in developed markets. These factors may affect the level and volatility of securities prices and the liquidity of investments. Businesses within some emerging markets often do not have a long history of operating within a market-orientated economy and may have a lack of management experience, modern technology and sufficient capital base with which to develop their operations.

Investment Horizon

Investors are strongly advised to regard any investment in a Magellan Fund as a medium to long-term proposition.

Past Performance

There can be no assurance that a Magellan Fund will achieve its Investment Objectives and there is no operating history by which to evaluate its likely future performance.

Performance Fees

Performance Fees are calculated and reflected in Unit prices daily for each Magellan Fund. Performance Fees are paid on the performance of each Unit in issue in each Magellan Fund at the end of a Calculation Period, even where Units were not in issue throughout the entire Calculation Period. This may operate to the advantage or disadvantage of a particular Unit holder, depending on market movements. Units issued part way through the Calculation Period, will be issued at a price that reflects Performance Fees accrued to that date, even where a Performance Fee is not payable at the end of that Calculation Period due to a subsequent decrease in performance.

Regulation and Tax

Regulation and tax that apply to the Manager, each Magellan Fund, and its investments may change (or tax laws may be interpreted by a tax authority or court in a different manner to which they have been interpreted and applied by the Manager or the relevant Magellan Fund) and this may impact on the investment returns and nature of the investments in the relevant Magellan Fund (for example, the ability to trade investments internationally and use leverage).

The Manager may at some time in the future be required to obtain registrations or authorisations to undertake the investment program of a Magellan Fund in foreign jurisdictions. If those registrations or authorisations are not obtained or withdrawn, the ability of the Manager to execute the investment strategy of the Magellan Fund may be adversely affected.

Certain laws, particularly in overseas jurisdictions, that may apply to the investments of a Magellan Fund are new and largely untested. Each Magellan Fund may therefore be subject to a number of risks, including inadequate investor protection, contradictory or unclear legislation, lack of market acceptance or understanding of those laws and lack of enforcement of existing regulations. It may also be difficult to obtain and enforce a judgment in certain countries in which assets are invested, that may have a material adverse affect on each Magellan Fund and its operations.

A different interpretation of tax laws may have an adverse affect on the after tax returns of Unit holders. Furthermore, Australia is in a period of considerable tax reform. No assurance can be given as to the ultimate impact of such reform on either a Magellan Fund or Unit holders. Applicable tax laws or the interpretation or administration of those laws may change in a manner which has a materially adverse affect on the after tax returns to Unit holders. A stamp duty liability can arise in relation to dealings in certain property.

Investments of a Magellan Fund outside Australia may be subject to foreign withholding tax or a Magellan Fund may be subjected to foreign income tax for which Unit holders may not be able to obtain a full or partial tax credit. A Magellan Fund may not be able to recover such taxes and any such imposts may have an adverse affect on the Net Asset Value of the Magellan Fund and consequently the returns to its Unit holders. There is a risk that a government authority asserts that a Magellan Fund carries on business at or through a permanent establishment in a particular country other than Australia to which all or a portion of the income and profits of the Magellan Fund are attributable. In the event any such assertion is successful, the Magellan Fund may be subject to taxes in that country on all or a portion of its income and profits.

RISKS SPECIFIC TO MAGELLAN INFRASTRUCTURE FUND

In addition to these general risks, investors should be aware of the risks specific to Magellan Infrastructure Fund.

Business Risks

Invariably, investment in infrastructure securities involves several business related risks. Project revenues can be affected by a number of factors including economic conditions, competition, user sentiment and weather conditions. In addition, operating costs can be influenced by a wide range of factors, many of which may not be under the control of the owner/operator of the infrastructure assets.

Regulatory Risks

In most instances, the provision or acquisition of infrastructure assets involves an ongoing commitment to a governmental agency. The nature of these commitments exposes the owners of infrastructure assets to a higher level of regulatory control than typically imposed on other businesses.

The risk that a governmental agency will repeal, amend, enact or promulgate a new law or regulation, or that a government authority will issue a new interpretation of the law or regulation, can affect a project substantially. This may also be due to court decisions and actions of government agencies that affect a project's performance.

Interest Rate Risk

Infrastructure securities are impacted by the change in real and nominal interest rates and may be more sensitive to interest rate movements than other sectors. While individual assets within and across sectors in the infrastructure asset class will have varying levels of sensitivity to moves in interest rates, investors should be aware that an increase in interest rates can lead to a fall in value of infrastructure securities.

Inflation Risk

As some forecast cashflows for an infrastructure investment are escalated based on an assumed rate of inflation, returns from Magellan Infrastructure Fund's investments can be affected by changes in the rate of inflation.

Foreign Currency Exposure

The foreign currency exposure of Magellan Infrastructure Fund will be hedged where considered appropriate by the Manager. The Magellan Infrastructure Fund will necessarily be subject to foreign exchange risks in particular where the Magellan Infrastructure Fund is unhedged. Further, there is no guarantee that any hedges which the Manager puts in place will be effective and the Magellan Infrastructure Fund may be over or under hedged (due to performance of the investments). Foreign currency exchange rate fluctuations may have a positive or adverse impact on the investment returns of Magellan Infrastructure Fund. In entering into foreign currency forward contracts for hedging purposes, Magellan Infrastructure Fund is required to deal with counterparties. Counterparty risk is described above.

RISKS SPECIFIC TO MAGELLAN GLOBAL FUND

Foreign Currency Exposure

Magellan Global Fund will have significant foreign currency exposure through its investments as it will not, other than in exceptional and limited circumstances, be hedged against foreign currency movements. Foreign currency exchange rate fluctuations between the

Australian dollar and other currencies will have a positive or adverse impact on the investment returns of Magellan Global Fund. For example, a significant appreciation in the Australian dollar against worldwide currencies will have a significant negative impact on the performance of Magellan Global Fund. In entering into foreign currency forward contracts for hedging purposes, Magellan Global Fund is required to deal with counterparties. Counterparty risk is described above.

Infrastructure Investments

To the extent that Magellan Global Fund invests in securities in the infrastructure sector, the risks specific to Magellan Infrastructure Fund apply to Magellan Global Fund.

6.2 Risk Management

The Manager has a formal programme for identifying, analysing, evaluating, treating, monitoring and communicating risks associated with its business.

The Manager has established a functional organisational structure to support its risk management processes and the Chief Operating Officer of the Manager is responsible for risk management matters. The Manager recognises that risk management is an integral part of good management practice. Risk management is integrated into the Manager's philosophy, practices and business plan and a culture of compliance is promoted.

The Manager identifies risks that need to be managed and assesses the risks identified. This assessment process involves a consideration of the following:

- the likelihood of the event occurring; and
- the impact of the identified risk if it occurred.

The likelihood and impact are then combined to determine the overall risk.

The Manager evaluates each risk and prioritises the assessed risk in order to establish which risks need to be treated. The Manager also considers existing risk control procedures and assesses what (if any) further action is required and the Manager's risk management programme is reviewed every six months to ensure it provides an adequate framework to monitor the operating circumstances that may impact upon its risk profile.

7.0 About The Manager – Magellan Asset Management Limited

7.1 Magellan Asset Management Limited

Magellan Asset Management Limited, the Manager, was incorporated on 6 July 2006 as a proprietary company and became a limited company on 15 February 2007. The Manager was issued an Australian Financial Services Licence (number 304301) by the Australian Securities and Investments Commission on 24 October 2006, which was subsequently varied to allow the Manager to act as the responsible entity of Magellan Funds.

7.2 The Investment Team

The key members of the Manager's investment team are:

Hamish Douglass (Chairman, Portfolio Manager of Magellan Global Fund)

Hamish is the Chairman of Magellan Asset Management Limited and Magellan Financial Group Limited and a director of Magellan Flagship Fund Limited. He is the Chief Executive Officer and Managing Director of NPH Funds Pty Limited and a director of Catalyst Investment Managers Pty Limited.

Hamish has more than 15 years experience in financial services and was, until recently, Co-Head of Global Banking at Deutsche Bank, Australasia. He has extensive experience in the financial services industry and has advised on some of the largest corporate transactions in Australia. In recent years, he has advised BHP Billiton Limited on its acquisition of WMC Resources Limited, Southcorp Limited in relation to the takeover by Foster's Group Limited, Xstrata Plc on its acquisition of MIM Holdings Limited, Westfield Trust on its acquisition of AMP Shopping Centre Trust and on the three way merger of Westfield Holdings Limited, Westfield Trust and Westfield America Trust to form Westfield Group, BRL Hardy Limited on its merger with Constellation Brands and Coles Group Limited in relation to the takeover proposal from Wesfarmers. He is a member of the Australian Takeovers Panel.

Chris Mackay (Deputy Chairman, Chief Investment Officer)

Chris is the Deputy Chairman of Magellan Asset Management Limited, the Deputy Chairman of Magellan Financial Group Limited and a director of Magellan Flagship Fund Limited. He is the Chief Investment Officer of Magellan Asset Management Limited.

Chris has considerable experience in business management, business assessment, capital allocation, risk management and investment. He became an investment banker in 1988, after being a corporate and banking lawyer and has broad experience in the financial and corporate sectors over many years. He is Chairman of New Privateer Holdings Limited and a Director of Publishing & Broadcasting Limited.

He retired as Chairman of UBS Investment Bank in Australasia in March 2006, having previously been its Chief Executive Officer and remains as a senior adviser to UBS. He is a member of the Federal Treasurer's Financial Sector Advisory Council and is a former member of the Business Council of Australia and director of the International Banks & Securities Association.

INFRASTRUCTURE TEAM

Gerald Stack (Portfolio Manager of Magellan Infrastructure Fund)

Gerald has more than 14 years experience in financial services. Until recently, Gerald was a Director of Capital Partners where he was Head of Securities Research and a member of the Management and Investment Committees. Capital Partners is an investment management firm that focuses on global infrastructure investment. Gerald has extensive experience in infrastructure investment management on a global basis, including investment in listed and unlisted assets incorporating debt, equity and hybrids.

Dennis Eagar

Dennis also joined Magellan Financial Group from Capital Partners, where he was Head of Infrastructure Research. On joining Capital Partners in 2003, Dennis led the team of infrastructure analysts covering Australian and selected international infrastructure stocks. Prior to Capital Partners, Dennis was a Division Director in Macquarie Bank's Infrastructure & Specialised Funds Group. Dennis' role was multi-faceted and included responsibility for investor relations and external affairs for Macquarie Infrastructure Group (MIG) and three other listed entities (Macquarie Airports, Macquarie Communications Infrastructure Group and Horizon Energy). He was also Chairman of the company responsible for the development and operation of Sydney's Eastern

Distributor toll road and a board member for the M5 and M4 toll roads in Sydney. Previously, Dennis was employed in executive roles in the construction industry including as Group Development Manager for Leighton Holdings Limited.

Alex Hone

Alex has 10 years industry experience. Alex joined Magellan Financial Group after 3 years with Capital Partners in the Investment Management team. Prior to this, Alex worked with Schroders Investment Management Limited in London as an Analyst in the Portfolio Risk Analytics team and also worked as an Investment Analyst with a boutique funds management company in Sydney and as a Fixed Interest securities dealer with National Australia Bank. Alex holds a Masters of Applied Finance & Investment.

FINANCIAL SERVICES TEAM

Domenico Giuliano (Sector Head)

Dom has 14 years of financial services experience. Prior to joining Magellan Financial Group, Dom was an Executive Director with Morgan Stanley, where he led insurance sector coverage for the Asia-Pacific region for 6 years. Dom was the lead analyst for the IPO of two of China's largest insurers and had coverage and oversight responsibilities for insurers in Australia, New Zealand, China, Taiwan and South Korea. Prior to his role with Morgan Stanley, Dom was a consultant for 6 years with the leading actuarial consulting firm, Tillinghast-Towers Perrin, working in their Melbourne, Milan and Sydney offices. His assignments at Tillinghast spanned mergers and acquisitions, economic valuations, liability valuations, market entry and product development. Dom holds a Masters in Business Administration from the Australian Graduate School of Management and a Bachelor of Economics from Macquarie University. Dom is also a Fellow of the Institute of Actuaries of Australia.

Vihari Ross

Vihari has 5 years of experience in the Australian equities market. Prior to joining Magellan Financial Group, Vihari was an equities analyst with the Australian equities fund manager, Ausbil Dexia Limited, covering the financial and consumer sectors. Vihari also had experience in the Strategy & Research team of Commonwealth Investment Management whilst at university. Vihari is an Associate of the Institute of Actuaries, holds a masters degree specialising in finance as well as a bachelor degree in actuarial studies and finance.

Henry Pennington

Henry is a junior analyst who, prior to joining Magellan Financial Group, worked in the stockbroking area at E.L & C Baillieu.

CONSUMER & RETAIL TEAM

Jacqueline Fernley (Sector Head)

Jacqui has 14 years market experience, joining Magellan Financial Group from Suncorp Investment Management where she was a Senior Equities Analyst covering consumer, commercial services, capital goods, transport and infrastructure, as well as having overall responsibility for smaller capitalisation stocks. Prior to her role at Suncorp, Jacqui was a member of the Small Companies research team at Credit Suisse First Boston for six years, a consultant with PricewaterhouseCoopers within their EVA consulting division and a trainee analyst with Wilson HTM. Jacqui has a Bachelor of Commerce and Bachelor of Laws from Bond University and is a lecturer/assessor for FINSIA on equity analysis.

Nikki Thomas

Nikki has worked for most of the past 15 years in institutional stockbroking specialising in the research of consumer stocks. Her stockbroking career began as an equities analyst at BT Securities, followed by a long career as the Retail Analyst at Deutsche Bank where she was also heavily involved in the development of valuation tools for use across the research team. She established a reputation in her field of expertise and brings sound analytical skills and a rigorous understanding of valuation and stock-picking skills through an exceptional feel and understanding of market sentiment and financial flows, and how these factors create profit-making opportunities. She completed the Chartered Financial Analyst programme in 1997 and has been an active member of the CFA Society of Sydney ever since. Previous qualifications include Chartered Accountant and Bachelor of Commerce (Merit) (UNSW).

Dan Ellis

Dan has eight years of experience in corporate development and mergers and acquisitions having been employed, since 1999, in a variety of roles within the Wesfarmers Group. In 2001, Dan was seconded for one year to Wesfarmers' partly owned private equity manager, Gresham Private Equity. In his time with Wesfarmers and Gresham, Dan has worked on a variety of transactions in the infrastructure, retail and financial services sectors. More recently, Dan has been involved in the private treaty acquisition of Lumley General Insurance, the \$700 million public company takeover of OAMPS Limited and the acquisition of New Zealand's second largest insurance broker, Crombie Lockwood. Prior to being employed with Wesfarmers, Dan worked as a civil engineer (infrastructure planning) with the Water Corporation of WA. Dan has a Bachelor of Science and a Bachelor of Engineering with First class Honours, from the University of Western Australia. In 2001, Dan completed a Graduate Diploma in Finance and Investment and the Foundation Course in Venture Capital.

Michael Young

Michael spent five years with Macquarie Bank as an Equity Research Analyst, based in Sydney and London, covering, at various times, the basic materials, retailing, international industrials, infrastructure and property sectors. Michael joined Macquarie as a graduate in 2001 and has a Bachelor of Commerce (Hons) from the University of Western Australia.

GENERAL RESEARCH – NEW YORK

Michael Leonard

Michael joined Magellan Financial Group from Caldwell Asset Management Inc. New York, where his focus was researching and investing in global stock, derivative and commodity exchanges. From 2002 to 2006, he was an institutional stockbroker at Bell Potter Securities in Sydney where he enjoyed discovering compelling value investments in listed and unlisted entities within both Australian and international markets. Prior to this, Michael was an auditor with KPMG Sydney in the Financial Services Audit Division. He is a Chartered Accountant and holds a Bachelor of Business from the University of Technology Sydney.

The members of the Manager's investment team may change from time to time. Any such changes will be made available at: www.magellangroup.com.au.

7.3 The Manager's Directors

Hamish Douglass – Chairman

See **Section 7.2** for information on Mr Douglass.

Chris Mackay – Deputy Chairman

See **Section 7.2** for information on Mr Mackay.

Brett Cairns – Director

Brett is co-head of the Capital Markets Group within Structured Finance at Babcock & Brown. He is a former Managing Director and Head of Debt Capital Markets for Merrill Lynch in Australia. Brett has a B.E (Hons1), PhD and MBA all from the University of Sydney.

Paul Lewis – Director

Paul was Managing Partner and Chief Executive – Asia for PA Consulting Group, based in Hong Kong, from 1992 to 2004. Initially anticipated as a three year secondment to open and build a fledgling Asia practice, he remained leading the practice development for twelve years, at the conclusion of which PA Consulting Group had offices in Hong Kong, Beijing, Tokyo, Bangalore, Singapore, Kuala Lumpur and Jakarta. Paul led major assignments in financial services, including retail banking, life insurance and stock exchanges, energy, manufacturing,

telecommunications, rail, air, container shipping and government. He has an extensive track record in business improvement, major transformation programs, large projects involving IT, due diligence, corporatisation and privatisation, organisation development and corporate governance. While in Asia, he served on senior advisory panels with ministerial representation in Hong Kong, Malaysia and Indonesia.

Paul is currently Senior Partner with PA Consulting Group in Australia, with specific responsibilities for strategic issues, developing the next generation of partners and business development in strategic sectors such as financial services, construction and transportation. He has held a number of senior advisory roles with British Telecom, namely, being on the Asia Pacific Advisory Board since 2003, the Global Advisory Board since 2005 and in senior advisory roles including local Chairman for Australia and New Zealand. He is a council member for the Australian British Chamber of Commerce and a director of PA Consulting Group's Asia businesses.

Naomi Milgrom – Director

Naomi is the Executive Chair and Chief Executive Officer of the Sussan Group, Australia's largest privately held speciality fashion retailer. The Sussan Group encompasses more than 500 Sussan, Suzanne Grae and Sportsgirl retail stores in Australia and New Zealand.

Naomi has always combined her business activity with a strong commitment to the community. She has achieved recognition as one of Australia's top business leaders and entrepreneurs, while at the same time taking a leadership role in the arts, sciences and the fashion industry both locally and internationally.

Naomi has served on and chaired a number of boards and committees and received a range of awards in a number of fields. She is currently a director of the Howard Florey Institute of Experimental Physiology and Medicine and Chair of the Australian Centre for Contemporary Art (ACCA). Naomi is also a member of the International Council Tate Modern, London.

Naomi is Chair of the Melbourne Fashion Festival, a Councillor on the Australia Business Arts Foundation, a founding member of the Australian Council of Businesswomen and a Fellow of the Australian Institute of Management.

Naomi was awarded the 1999 Leadership Award from the Monash Mt. Eliza Business School in recognition of her outstanding leadership qualities and is ranked as one of Australia's top Women in Business.

In 2003, Naomi was awarded the Centenary Medal for outstanding services to the fashion industry and was presented with the National Council of Jewish Women of Australia's "Woman of Achievement Award" for her contribution to business.

The Manager's directors may change from time to time. Any such changes will be made available at: www.magellangroup.com.au.

7.4 Dealings and Conflicts of Interest

Subject to the Corporations Act, each of the Manager and its associates may from time to time:

- (a) act in various capacities (such as manager and responsible entity) in relation to, or be otherwise involved in (such as by way of investment), other business activities that may be in competition with the interests of Unit holders;
- (b) deal with each other in relation to a Magellan Fund in which case the dealing will generally be on arm's length terms or approved by Unit holders;
- (c) invest in and deal in any capacity, with the same investments as that of a Magellan Fund, on similar or different terms; and/or
- (d) recommend that investments be purchased or sold, on behalf of a Magellan Fund, regardless of whether at the same time it may buy, sell or recommend, in the same or in a contrary manner, the purchase or sale of identical investments in relation to itself or other clients.

The Manager may aggregate orders or investment allocations of a Magellan Fund with all of the other accounts that it manages.

The Manager has established internal policies and procedures to ensure that any conflicts of interest arising in relation to a Magellan Fund are adequately identified and appropriately managed.

Any conflicts of interests that may arise will be dealt with in accordance with the Manager's conflicts of interest policy. Where the Manager considers that a particular conflict of interest is likely to have a materially adverse affect on Unit holders, it will seek to implement adequate arrangements to mitigate and prevent (where practicable) adverse affects on Unit holders. In certain cases, the Manager may disclose the conflict of interest

to Unit holders and obtain their consent for the Manager (and other persons if relevant) to proceed in the context of that conflict of interest.

7.5 Deal Allocation Policy

The Manager and its associates may invest on their own personal or their clients' accounts in the types of investments that a Magellan Fund invests in and may also operate, manage and advise other investment funds. The Manager is not required to account to Unit holders or a Magellan Fund in respect of these activities.

In determining whether an investment opportunity is suited to a particular fund, the Manager will have regard to factors that may include the fund's:

- investment objectives;
- investment strategy and circumstances,

and any other factors (such as general economic conditions) that the Manager considers relevant.

The Manager reserves the rights to, in its absolute discretion, allocate investment opportunities between the funds it manages and itself and its associates.

Subject to the Manager's decision as to which fund or funds a particular investment opportunity is appropriate for, the Manager has adopted the following protocol to allocate investment opportunities between the funds that it manages:

- opportunities to invest in initial public offerings or share placements will be offered to each of the funds whom the Manager considers the investment opportunity is appropriate for in proportion to each fund's assets under management.
- where two or more funds are executing buy or sell orders in the same company on the same day and the orders are on the same or essentially the same terms and the combined activity exceeds 10% of the daily turnover in a stock, the orders will be split between the funds in proportion to the size of the order placed by the relevant portfolio manager.
- all funds have access to the same investment information.

8.0 Fees and Other Costs

8.1 Fees Overview

CONSUMER ADVISORY WARNING

The warning below is required by law.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (**ASIC**) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

8.2 Summary of Fees and Other Costs

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund's assets as a whole.

Taxes are set out in another section of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

All fees and costs are **inclusive of GST** and net of any applicable reduced input tax credits.

TYPE OF FEE OR COST	AMOUNT ¹	HOW AND WHEN PAID
FEES WHEN YOUR MONEY MOVES IN TO OR OUT OF THE FUND		
Establishment Fee The fee to open your investment.	Zero.	Not applicable.
Contribution Fee^{2,3} The fee on each amount contributed to your investment.	Up to 1.25%. (up to \$12.50 per \$1,000).	The Contribution Fee is paid by the Manager to your financial adviser when you invest. The Contribution Fee is deducted from your Application Amount prior to the Units being issued. The amount of this Contribution Fee is negotiated between you and your financial adviser. Where you do not have a financial adviser, the full Contribution Fee will apply and will be paid to the Manager (except in the case of switching). Refer to Section 8.3 "Contribution Fee" for more details.

TYPE OF FEE OR COST	AMOUNT ¹	HOW AND WHEN PAID
Withdrawal Fee² The fee on each amount you take out of your investment.	Zero.	Not applicable.
Termination Fee The fee to close your investment.	Zero.	Not applicable.
MANAGEMENT COSTS		
The fees and costs for managing your investment.	Management Costs are estimated to be: 1.36% per annum for Magellan Global Fund. (\$13.60 per \$1,000 per annum for Magellan Global Fund). 1.06% per annum for Magellan Infrastructure Fund. (\$10.60 per \$1,000 per annum for Magellan Infrastructure Fund). Management Costs consist of the Administration Fee, Management Fee and Performance Fee. The amounts above do not include any estimates for Performance Fees.	See the relevant part of this table and refer to the relevant part of Section 8.3 "Management Costs" for more details.
	Administration Fee – The fees and costs of operating each Magellan Fund. The Administration Fee includes administration and marketing costs, and other expenses incurred by the Manager in operating each Magellan Fund. 0.10% per annum. (\$1.00 per \$1,000 per annum).	The Administration Fee is calculated on the Net Asset Value of each Fund at the end of each month. The Administration Fee is reflected in the daily Unit price of each Fund and is payable monthly. Refer to Section 8.3 "Administration Fee" for more details.
	Management Fee – The fee paid to the Manager for managing each Fund. 1.26% per annum for Magellan Global Fund. (\$12.60 per \$1,000 per annum for Magellan Global Fund). 0.96% per annum for Magellan Infrastructure Fund. (\$9.60 per \$1,000 per annum for Magellan Infrastructure Fund).	The Management Fee is calculated on the Net Asset Value of each Fund at the end of each month. The Management Fee is reflected in the daily Unit price of each Fund and is payable monthly. Rebates may apply. Refer to Section 8.3 "Management Fee" and "Adviser Remuneration" for more details.
	Performance Fee – The fee payable to the Manager based on the performance of each Magellan Fund. 10.10%	Performance Fees are calculated on the total return of the Units of each Magellan Fund over each Calculation Period ending 31 December and 30 June in each year. Performance Fees are paid subject to the double performance hurdle and the high water mark being met for the relevant Calculation Period, reduced to the extent that the Performance Fee may cause the total return to fall below any hurdle or the high water mark. Performance Fees are reflected in the daily Unit price of each Fund and is payable at the end of each Calculation Period. Refer to Section 8.3 "Performance Fees" for more details.
SERVICE FEES		
Investment Switching Fee The fee for changing Magellan Funds.	Zero.	Not applicable.

Notes to table

1. All fees set out in this **Section** are inclusive of the net effect of Goods and Services Tax (GST) (that is, includes GST net of input tax credits). The ability of the Magellan Funds to recover GST is affected by the percentage of their investments that are non-Australian. The Management Fee and Performance Fee assume that each Magellan Fund invests at least 60% of its assets in non-Australian investments. To the extent that non-Australian investments differ from 60%, actual fees may vary to reflect the non-recovery of GST, however, the actual fee paid to the Manager will not vary.
2. You may also incur Transaction Costs when your money moves in or out of the Fund. Please refer to **Section 8.3** "Transaction Costs" for further details.
3. This fee includes an amount payable to your financial adviser. Please refer to **Section 8.3** "Adviser Remuneration" for further details.

8.3 Additional Explanation of Fees and Costs

Impact of GST

All fees set out in this Section are inclusive of the net effect of GST (that is, includes GST net of input tax credits).

The impact of GST on the Management Fee and Performance Fee is calculated on the assumption that each Magellan Fund invests 60% of its assets in non-Australian investments. If a Magellan Fund were to invest less than 60% of its assets in non-Australian investments, the GST inclusive Management Fees and Performance Fees may be higher than the stated figure. Alternatively, if a Magellan Fund were to invest more than 60% of its assets in non-Australian investments, the GST inclusive Management Fees and Performance Fees charged may be lower. Any difference reflects the recovery of GST only, as fees paid to the Manager will not vary.

Transaction Costs

Transaction Costs are costs associated with brokerage and stamp duties, taxes and other charges and expenses from buying or selling investments are paid from each Magellan Fund. When you make an application for, or withdrawal of, Units, we charge the applicable Transaction Costs to recover these costs. Because these are costs in buying and selling assets, we use these Transaction Costs to direct these costs at investors transacting rather than other investors in the relevant Magellan Fund. The Transaction Costs are not a fee paid to the Manager but are paid to the relevant Magellan Fund. They are, however, an additional cost to you and will impact on the return on your investment. Transaction Costs for each Magellan Fund are estimated by the Manager to be 0.25% and may be altered at any time. Transaction Costs are not charged on Units issued pursuant to re-invested distributions but they are charged on switches.

Contribution Fee

The Contribution Fee is charged by your financial adviser for providing advice about your investment. The amount of the Contribution Fee for each Magellan Fund is to be agreed between you and your adviser. The maximum amount payable is 1.25% (including the net effect of GST) of your Application Amount (\$12.50 per \$1,000).

The Contribution Fee is deducted from your Application Amount prior to Units being issued. An amount equal to the Contribution Fee (less the net effect of any GST payable) will be paid to your financial adviser. If your adviser elects not to charge this fee or elects to receive less than the full amount, then the amount by which the initial commission has been reduced will be applied to reduce the Contribution Fee. Where you do not have a financial adviser, the full

Contribution Fee will apply and will be paid to the Manager. For certain investors who are wholesale clients, we may waive all or part of the Contribution Fee. Where you switch from one Magellan Fund to another Magellan Fund, we will waive the Contribution Fee.

Management Costs

Management Costs include Administration Fees, Management Fees and estimated Performance Fees. Management Costs are deducted from the relevant Magellan Fund (that is, they are not charged directly to your account). They do not include Contribution Fees, Transaction Costs or any additional service fees. The Management Costs for a Magellan Fund is an estimate and is expressed as a percentage of the Magellan Fund's Net Asset Value. Each Magellan Fund's expenses are paid by the Manager from the Administration Fee and are not separately reimbursed by the Magellan Fund. As each Magellan Fund is newly established there is no historical basis upon which to estimate the level of Performance Fees. For the purposes of estimating Management Costs, the Manager has assumed that each Magellan Fund has achieved performance in line with the relevant hurdles and therefore no Performance Fees would be payable.

Administration Fee

The Constitution of each Magellan Fund provides that the Manager may be reimbursed from the relevant Magellan Fund for operating expenses incurred in connection with the performance of its duties and obligations in the day-to-day operation of the relevant Magellan Fund.

This includes all fees, costs, charges, taxes (including any GST, imposts or duties) expenses and outgoings which are incurred in connection with the relevant Magellan Fund (such as the cost of audit, taxation advice, annual financial statements, investor reporting and distribution, marketing and other allowable miscellaneous expenses).

The Manager will pay each Magellan Fund's operating expenses from the Administration Fee. The Manager has currently capped this fee at 0.10% per annum (inclusive of the net effect of GST) calculated on the Net Asset Value of each Magellan Fund at the end of each month (\$1.00 per \$1,000 per annum). The Administration Fee is reflected in the daily Unit price of each Fund and is payable monthly.

If a Magellan Fund's actual expenses exceed the Administration Fee, the Manager will pay any such excess expenses and will not seek reimbursement from the relevant Magellan Fund. If a Magellan Fund's actual expenses are less than the Administration Fee, the Manager will retain the difference. It is anticipated that each Magellan Fund's actual expenses will exceed the Administration Fee in the short to medium term.

Management Fee

The Constitution of each Magellan Fund provides that the Manager may receive and retain, at the end of each month, a Management Fee from each Magellan Fund calculated on the Net Asset Value of the relevant Magellan Fund at the end of each month. The Management Fee is 1.26% per annum (including the net effect of GST) of the Net Asset Value (\$12.60 per \$1,000 per annum) for Magellan Global Fund. The Management Fee is 0.96% per annum (including the net effect of GST) of the Net Asset Value (\$9.60 per \$1,000 per annum) for Magellan Infrastructure Fund. The Management Fee is reflected in the daily Unit price of each Magellan Fund and is payable monthly. Management Fees are the fees payable for the management of the Magellan Funds. See above for information regarding the impact of GST.

Performance Fee

Depending on how well a Magellan Fund performs, the Manager may be entitled to Performance Fees equal to 10.10% (including the net effect of GST) of the total return of the Units of each Magellan Fund payable out of the relevant Magellan Fund. Any Performance Fees payable by a Magellan Fund to the Manager are subject to both an absolute and relative performance hurdle plus a three-year high water mark requirement, and an overall cap on Performance Fees. See above for information regarding the impact of GST.

A Magellan Fund's total return is the movement in its Unit price (without Transaction Costs) during the Calculation Period (adjusted for any income or capital distributions and any accrued Performance Fees during that Calculation Period). Adjustments will be made for any capital re-organisations such as Unit divisions or consolidations. The initial Calculation Period is from commencement date of each Magellan Fund until 31 December 2008 with subsequent Calculation Periods ending on 30 June and 31 December of each year.

The relevant hurdles and high water marks are:

Index Relative Hurdle

- For Magellan Global Fund, the total return must exceed the performance of the Morgan Stanley Capital International World Index Total Return (Net Dividends) (measured in US dollars and converted to Australian dollars).
- For the Magellan Infrastructure Fund, the total return must exceed the performance of the UBS Global Infrastructure and Utilities Net Total Return Index (\$A Hedged).

Absolute Return Hurdle

For both Magellan Global Fund and Magellan Infrastructure Fund, the total return must exceed the yield of 10-year Australian Government Bonds on the first Business Day of the Calculation Period.

If an index ceases to be published, the Manager will nominate an equivalent replacement index.

High Water Mark

For both Magellan Global Fund and Magellan Infrastructure Fund, the Unit price at the end of the present Calculation Period (adjusted for any intervening income and capital distributions) must exceed the corresponding Unit price at the end of the last Calculation Period when the Manager was last entitled to Performance Fees unless that was more than three years prior to the end of the current Calculation Period. If it was more than three years prior to the end of the current Calculation Period, the high water mark will lapse. Adjustments will be made for any capital re-organisations such as Unit divisions or consolidations. The first highwater mark will be \$1.00 per Unit, being the initial issue price of Units.

Performance Fee Cap

Payment of the Performance Fee out of the relevant Magellan Fund reduces the Unit price of that Magellan Fund to that extent. The Manager will reduce the Performance Fee it is otherwise entitled to in order to make sure that the Performance Fee does not reduce the Unit price (after the Performance Fee has been paid) of that Magellan Fund below either the Index Relative Hurdle, the Absolute Return Hurdle or the high water mark for the relevant Calculation Period.

Issue and Withdrawals during a Calculation Period

Performance Fees are calculated and reflected in Unit prices daily for each Magellan Fund. Performance Fees are paid on the performance of each Unit in issue in each Magellan Fund at the end of a Calculation Period, even where Units were not in issue throughout the entire Calculation Period. This may operate to the advantage or disadvantage of a particular Unit holder, depending on market movements. Units issued part way through the Calculation Period, will be issued at a price that reflects Performance Fees accrued to that date, even where a Performance Fee is not payable at the end of that Calculation Period due to a subsequent decrease in performance.

For Units that are withdrawn during the Calculation Period, the day of withdrawal will be treated as the end of the Calculation Period with respect to those Units and the Performance Fee will become payable to the Manager. The withdrawal proceeds will be net of any Performance Fees accrued on the day of withdrawal. Any switches will also be treated as if they were withdrawals for the purposes of calculating the Performance Fees.

Worked example for Magellan Funds

The example that follows is for the purpose of illustrating how Performance Fees for an investment in one of the Magellan Funds may be calculated only.

The example assumes that the relevant Magellan Fund's total return and the hurdles performance remain constant throughout the Calculation Period. In reality, the Unit price and the hurdles will vary during the course of the Calculation Period.

Importantly, the example assumes an annualised return of 12% and that all of the benchmarks have been met and that the Performance Fee cap has not been triggered. Note that 12% annualised return is for illustrative purposes only and is not an indication of the future performance of any Magellan Fund. Future performance may differ materially from that used in this example.

Value of Units held by you on 1 July equals \$20,000. The Performance Fee payable for the Calculation Period ending 31 December would be:

Adjusted value of Units held by you on 31 December during the year equals \$21,200 - \$121.20 = \$21,078.80.

$(\$21,200 - \$20,000) * 10.10\%$
= \$121.20

For \$20,000 that you have in a Fund you have earned \$1,200 and will be charged \$121.20 in Performance Fees.

The Manager may elect to receive up to 50% of its Performance Fees in the form of Units in the Fund. Any Units issued in lieu of Performance Fees will be at the Unit price for that Magellan Fund applicable at that time. No Transaction Costs or Contribution Fees will be payable on the issue of these Units.

Investment Switching Fee

A switch from one Magellan Fund to the other is treated as a redemption from one Fund and an application for Units in another Fund. While no Switching Fees are payable, Transaction Costs will apply. You may also incur a capital gains tax liability from switching from one Fund to the other.

Fee Maximums and Changes To Fees

The Manager is entitled under the Constitution of each Magellan Fund to charge a Contribution Fee of 1.25% (exclusive of GST), a combined Management Fee and Administration Fee of 1.35% per annum for the Magellan Global Fund and 1.05% per annum for the Magellan Infrastructure Fund (exclusive of GST) of the gross value of the relevant Magellan Fund and Performance Fees of 10% per annum of the return on Units of a Magellan Fund during a Calculation Period. The relevant Constitutions do not provide for the Manager to charge a Withdrawal Fee, Switching Fee or Termination Fee. The Manager may, within the bounds of the relevant Constitution, elect to change the fees it actually charges you (for example, due to changes in economic conditions and size of the Magellan Fund) after the date of this PDS with respect to

one or more of the Magellan Funds and Unit holders will be provided at least 30 days written notice of any change in these or other fees.

Adviser Remuneration

The Manager may pay your financial adviser commissions for selling you this product. Your financial adviser will receive the Contribution Fee agreed between you and your financial adviser. In addition, your financial adviser will receive a commission from the Management Costs.

Commissions paid to your financial adviser are already incorporated in the Contribution Fee and Management Costs and are paid by the Manager and are not an extra amount paid from a Magellan Fund nor are they an amount you pay.

These commissions can be partially or fully rebated and can be negotiated with your financial adviser. Contact your financial adviser for more details. This may have tax implications.

Your financial adviser may also be entitled to receive additional pecuniary and non-pecuniary benefits, bonuses and other rewards, resulting from promotional, performance related or loyalty programs should they be conducted at any time by the Manager. These types of benefits and awards are not able to be quantified at any given time and are generally not directly attributable to any one product dealing.

Other Commissions, Rebates and Waivers

The Manager may, where permitted under the law, charge fees on a different basis to certain parties who make a substantial investment in a Magellan Fund or other of the Manager’s investment products.

Dealer groups, wholesale and certain sophisticated and professional investors, IDPS operators, stockbrokers and other licensees may receive commissions or rebates from the Manager.

The maximum rebate of the Management Fee or commission will be as follows:

- 0.20% per annum of the funds invested for Magellan Global Fund; and
- 0.10% per annum of the funds invested for Magellan Infrastructure Fund.

These rebates or commissions may be retained by the dealer group, wholesale and certain sophisticated and professional investors, IDPS operator, stockbroker or

licensee. If these amounts are paid, they are paid by the Manager and are not an extra amount paid from the Magellan Fund, nor are they an amount you pay.

Any commissions or rebates will be made in compliance with the IFSA Industry Code of Practice on Alternative Forms of Remuneration. The Manager will keep a register of certain payments as required by the Code. Please contact the Manager if you would like to view this register. Details of the adviser’s remuneration will be in the Financial Services Guide and Statement of Advice which your adviser must give you.

In addition, for the above investors and employees of the Manager, the Manager retains the right to waive the Contribution Fee.

Tax

An overview of significant taxation implications of investing in Magellan Global Fund is set out below in **Section 10** for Australian resident investors and **Section 11** for New Zealand resident investors.

8.4 Examples of Annual Fees and Costs

This tables give examples of how the management fees and costs can affect your investment over a one year period in each of the Magellan Funds. You should use these tables to compare these products with other managed investment products.

EXAMPLE – MAGELLAN GLOBAL FUND		BALANCE OF \$50,000 WITH TOTAL CONTRIBUTIONS OF \$5,000 DURING THE YEAR
Contribution Fees	0 – 1.25%	For every \$5,000 you put in, you will be charged between \$0 and \$62.50.
PLUS Management Costs	1.36%	And, for every \$50,000 you have in the fund you will be charged \$680*.
EQUALS Cost of fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of from: \$680 to \$752.50** What it costs you will depend on the fees you negotiate with your financial adviser.

EXAMPLE – MAGELLAN INFRASTRUCTURE FUND		BALANCE OF \$50,000 WITH TOTAL CONTRIBUTIONS OF \$5,000 DURING THE YEAR
Contribution Fees	0 – 1.25%	For every \$5,000 you put in, you will be charged between \$0 and \$62.50.
PLUS Management Costs	1.06%	And, for every \$50,000 you have in the fund you will be charged \$530*.
EQUALS Cost of fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of from: \$530 to \$592.50** What it costs you will depend on the fees you negotiate with your financial adviser.

Notes to tables

* Assuming the Fund has achieved (adjusted) performance not in excess of its hurdles and therefore no Performance Fees will be payable for the relevant period.

**All fees are inclusive of the net effect of GST and additional fees may apply:

- you may also incur Transaction Costs when your money moves in or out of the Fund. Please refer to “Transaction Costs” in **Section 8.3**.

9.0 Dealing With Your Investment

9.1 Unit Pricing

The entry and exit Unit price is calculated by taking the total market value of all of a Magellan Fund's assets on a particular day, adjusting for any liabilities including accrued Performance Fees ("Net Asset Value") and then dividing the Net Asset Value by the total number of Units held by all investors on that day. This is then adjusted to reflect Transaction Costs.

Refer to **Section 8.3** "Performance Fee" for details regarding the consequences of investing during the course of a Calculation Period.

9.2 Applications

To invest in a Magellan Fund you must complete the Application Form accompanying this PDS and pay the application monies. Applications will be processed daily. Additional investment application forms may be obtained at www.magellangroup.com.au or by contacting the Fund Administrator on 1300 133 451.

In extraordinary circumstances, we may suspend applications. We may reject applications at our discretion.

When we receive your completed application, we deduct from your investment amount any applicable Contribution Fee. The balance will then be divided by the determined entry Unit price for that date. For completed applications received by the Fund Administrator prior to 12pm (Sydney time on a Business Day), the entry Unit price used will be the one determined on that day. Completed applications received by the Fund Administrator after 12pm (Sydney time on a Business Day) will receive the following day's entry Unit price. The entry Unit Price will be increased by the amount of the Transaction Costs (see **Section 8.3**).

Minimum Investment Amount

A minimum initial investment of \$20,000, and subsequent investment of \$5,000, applies to each of the Magellan Funds, unless an investor chooses to participate in a regular monthly investment plan.

If an investor chooses to participate in a regular monthly investment plan, a minimum initial investment of \$10,000 and a minimum regular monthly investment of \$200 applies to investments in each of the Magellan Funds.

The Manager may in its absolute discretion waive these minimum requirements.

Regular Investment Plan

Investors wishing to invest regularly in a Magellan Fund may do so by completing the relevant section of the Application Form and the direct debit authority in the Application Form. Funds are drawn from your bank account on the first Business Day after the 19th of each month.

You can choose to have your regular investment automatically increased by a percentage based on the Consumer Price Index (or 3%, whichever is the greater). Please nominate this on the Application Form.

9.3 Withdrawals

Unit holders may from time to time request the withdrawal of Units in a Magellan Fund provided each such withdrawal request is at least \$5,000. Withdrawal requests may be refused or a Unit holder's Units may be withdrawn in their entirety if the processing of a withdrawal request would result in the Unit holder less than \$5,000 of Units.

When we receive your withdrawal request, the proceeds are calculated at the relevant exit Unit price. In extraordinary circumstances we may suspend withdrawals.

For completed withdrawal requests received by the Fund Administrator prior to 12pm (Sydney time on a Business Day), the exit Unit price used will be the one determined on that day. Completed withdrawals received by the Fund Administrator after 12pm (Sydney time on a Business Day) will receive the following day's exit Unit price. The exit Unit Price will be decreased by the amount of the Transaction Costs (see **Section 8.3**).

A withdrawal will result in the payment of Performance Fees on the basis that the date of withdrawal is the end of the relevant Calculation Period.

Suspension of Withdrawals

No withdrawals, or payment of withdrawal proceeds with respect to a Magellan Fund shall be permitted where the calculation of the Net Asset Value or withdrawals for that Magellan Fund are suspended. Withdrawals may be suspended for up to 28 days including where:

- (a) it is impracticable for the Manager, or it is unable, to calculate the Net Asset Value of that Magellan Fund. For example, because of financial market disruptions or closures;

- (b) the payment of withdrawal proceeds involves realising a significant amount of that Magellan Fund's assets which would, in the opinion of the Manager, result in remaining Unit holders bearing a disproportionate amount of capital gains tax or expenses, or suffering any other disadvantage or diminution of the value of Units held;
- (c) the Manager reasonably considers it to be in the interests of Unit holders of that Magellan Fund, or it is otherwise permitted by law; or
- (c) where the Manager receives withdrawal requests of an aggregate value that in its reasonable estimate exceeds 5% of that Magellan Fund's assets.

Where the Fund is not Liquid

The withdrawal process, including the calculation of the withdrawal price, described above applies only when a Magellan Fund is 'liquid' (within the meaning given to that term in the Corporations Act). Where a Magellan Fund ceases to be liquid, Units in that Magellan Fund may only be withdrawn pursuant to a withdrawal offer made to all Unit holders in that Magellan Fund in accordance with its Constitution and the Corporations Act.

9.4 Transfers

Units may not be sold or transferred without the prior written consent of the Manager (which may be granted, on certain terms and conditions, or withheld in its sole and absolute discretion). Transfer requests should be made in writing to the Manager who may require prescribed transfer documentation to be completed by the transferor. Any Units sold or transferred without such consent may be compulsorily redeemed by the Manager in its absolute discretion.

9.5 Distributions

Distributions of a Magellan Fund are based on the number of Units you hold in that Magellan Fund, in proportion to the number of Units in issue in that Magellan Fund, at the distribution date. Distributions are not pro-rated for investors who were not Unit holders for the whole period. The type of income you receive depends on the asset classes in which the relevant Magellan Fund invests.

The distribution policy of the Magellan Funds is to pay any distributions as soon as practicable after each year ending 30 June (or otherwise as determined by the Manager). Distributions from a Magellan Fund may comprise income and/or capital as determined by the Manager under the relevant Constitution. The Manager may make distributions more frequently if it so chooses.

You can choose to have your distributions:

- automatically re-invested, with no Contribution Fee or Transaction Costs payable. The additional Units are purchased using the Net Asset Value per Unit applicable immediately after the distribution; or
- directly credited to your Australian financial institution account.

Please nominate your choice on your Application Form.

If you do not make a choice, then your distributions will be automatically re-invested.

9.6 Valuations

Units will typically be priced each Business Day by the Manager except where the calculation of the Net Asset Value for a Magellan Fund is suspended for reasons such as where that Magellan Fund's investments cannot in the opinion of the Manager be appropriately valued or disposed of including where:

- (a) there have been disruptions, suspensions or closures to financial markets relevant to that Magellan Fund; or
- (b) for any other reason the value of that Magellan Fund's assets or liabilities cannot in the opinion of the Manager reasonably or fairly be ascertained.

Unit prices will be available daily at www.magellangroup.com.au or by telephoning the Fund Administrator on 1300 133 451.

9.7 Cooling-Off Rights

If you are a retail investor, a 14-day 'cooling-off period' will apply to your initial investment in each Magellan Fund in certain circumstances. If, during the 14-day cooling-off period, you decide that the investment does not meet your needs, then simply advise us in writing. The 14 days start when your transaction confirmation is received by you or five Business Days after your Units are issued, whichever is earlier. We will return your investment, reduced or increased for market movements. We will also deduct any tax or duty incurred and a reasonable amount for transaction and administration costs. As a result the amount returned to you may be less than your original investment. Please note that the cooling-off period will lapse if you transact on your account within the 14 days. Under normal circumstances we will return your investment within seven working days of you notifying us. For more information, please call the Fund Administrator on 1300 133 451.

9.8 Switching Between Funds

Investors may switch all or part of their investment in one Magellan Fund to the other Magellan Fund by contacting the Fund Administrator and requesting a Magellan Switching Form. In completing the Switching Form you will need to confirm that you have received a copy of the current PDS of the Magellan Fund to which you are switching. The PDS may be up-dated or replaced from time to time. A copy of the most recent PDS will be available on the Magellan web site at www.magellangroup.com.au. Alternatively, a copy will be provided to you free of charge upon request.

For Switching Forms received by the Fund Administrator prior to 12pm Sydney time on a Business Day, the exit and entry Unit prices used will be determined on that day. Completed Switching Forms received by the Fund Administrator after 12pm Sydney time on a Business Day will receive the following day's exit and entry Unit prices. The exit Unit price will be decreased by the amount of the Transaction Costs and the entry Unit price will be increased by the amount of the Transaction Cost (see **Section 8.3**).

A switch from one Magellan Fund to the other is treated as a withdrawal from one Magellan Fund and an application for Units in the other Magellan Fund. While no switching fees are payable, Transaction Costs will apply. You may also incur a capital gains tax liability from switching from one Fund to the other (see **Section 10**).

A withdrawal will result in the payment of Performance Fees on the basis that the date of withdrawal is the end of the relevant Calculation Period.

10.0 Tax Considerations For Australian Resident Investors

10.1 General Overview

Tax Considerations

The following sets out in broad terms the Australian tax implications for Australian resident taxpayers who invest in the Magellan Funds. The tax position of a non-resident Unit holder will depend, amongst other things, on the nature of their investment, the nature of the investments and distributions by the Magellan Funds, and the tax rules in the non-resident Unit holder's country of residence.

The tax information set out below is of a general nature. The tax implications of investing in manage investment scheme will depend on your particular circumstances. Therefore, we recommend that you should seek professional advice from a financial adviser and/or taxation adviser.

Tax Position of the Magellan Funds

Each of the Magellan Funds will be an Australian resident trust for Australian tax purposes. The Constitution of each Magellan Fund provides broadly that Unit holders will be presently entitled to the income of the Magellan Fund for that year, in the proportion to the number of Units held to all Units then on issue in the particular fund registered at midnight on the last day of each year of income.

This means that in general no Australian income tax will be payable by either Magellan Fund. Unit holders will be assessable on the net income of their respective Magellan Fund on a 'flow through' basis. For Australian income tax purposes, Australian resident Unit holders should include their share of the net income of the relevant Magellan Fund in their assessable income for the particular income year. An Australian tax statement will be issued to Unit holders (see discussion below).

The assets of each Magellan Fund will include equities and units in Australian and foreign entities, together with some cash holdings. As a result, it is possible that the distributable income of a Magellan Fund, and thereby the assessable income to the Unit holders, will include dividends (including franked dividends from Australian sources, and dividends from foreign investments), capital gains (including where applicable discount capital gains), and other investment income.

Franking Credits

Where a Magellan Fund complies with certain conditions related to the '45-day' rule, that Magellan Fund will be able to pass franking credits through to Unit holders. This rule requires that the Magellan Fund's interest in the investments have been owned 'at risk' for a continuous period of 45 days (not including the day of acquisition or the day of disposal). A 'last in first out' approach is used to determine whether the 45 day holding period requirement is satisfied.

The entitlement to franking credits will (subject to the Unit holder also satisfying the '45-day' rule) depend upon the extent to which the franked dividend has been taken into account in determining the distribution paid to the particular Unit holder.

Capital Gains

The distributable income may include realised gains of a capital nature or a revenue nature, depending on whether the particular realised investment of the Magellan Fund was held on capital or revenue account. This will determine whether realised gains are distributed to you as realised net capital gains or as ordinary income. The Magellan Funds each intend to hold their investments on capital account.

Where the investment is held on capital account, and has been held for more than 12 months before sale, the discount capital gains tax concession may apply (see discussion below).

Foreign Investment Funds

Each Magellan Fund will invest in foreign equities, which could be subject to the Foreign Investment Fund (FIF) accrued income tax provisions. Broadly, these provisions can apply to attribute assessable income to Unit holders. There are a number of exemptions from the application of these rules, and each Magellan Fund will generally make investments that qualify for these exemptions.

Foreign Tax Credits

Foreign tax credits can be allocated to Unit holders where foreign tax has been paid by a Magellan Fund in respect of foreign source income derived from foreign investments (for example, interest from foreign borrowers or dividends from foreign companies).

You will be advised of your share of foreign tax credits in your annual tax statements (see below).

Fees

The Manager is entitled to receive certain specified remuneration from each Magellan Fund (see **Section 8**). These include an Administration Fee, a Management Fee and a Performance Fee.

These fees should be deductible to the relevant Magellan Fund in determining its taxable income.

Tax Position of Australian Resident Investors

Distributions

Your share of the distributable income of a Magellan Fund for a distribution period may include a share of realised capital and/or revenue gains, based on your Unit proportion entitlement as at the end of the relevant distribution period. It will also include your share of any income such as interest or dividend income (including any applicable foreign tax credits and franking credits).

Each Magellan Fund will calculate its net income for taxation purposes each year. This amount will be allocated to you in proportion to your entitlement to the distributable income from the relevant Magellan Fund for the particular year. The assessable income allocated to you should be included in your income tax return for the particular year in which the income arose. This is the case even where the actual cash distribution was received or re-invested in the following year.

Capital Gains Tax (CGT)

A portion of your distributable income from a Magellan Fund could include capital gains, including discount capital gains (where the gain arose from a disposal of an asset held from more than 12 months).

In addition, the withdrawal or transfer of your Units in a Magellan Fund may give rise to a taxable gain or loss to you. Whether the gain is treated as a capital gain or loss, or as ordinary income will depend on your particular circumstances.

It should be noted that, when you calculate the taxable portion of a capital gain, you need to take into account the capital gains and losses from all sources, including those distributed by the Magellan Fund as indicated to you in your annual tax statement. You should discuss this calculation with your taxation adviser. A discount capital gain concession may apply to holders who are individuals, trusts or complying superannuation entities. For taxpayers who are trusts and individuals that qualify for the discount concession, the taxable gain is reduced by 50%. For complying superannuation entities that qualify for the discount concession, the taxable gain is reduced by 33 1/3%. Companies who hold Units in the Magellan Funds are not entitled to a CGT discount.

Further, you may receive non assessable amounts from the Magellan Fund. These may give rise to cost base adjustments to your Units for capital gains tax purposes. These adjustments could result in either an increased capital gain or a reduced capital loss when the Units are subsequently disposed.

Franking Credits

On the basis that each Magellan Fund satisfies the '45-day' requirement referred to above, you may be entitled to claim franking credits. The amount of the franking credit will be dependant on the extent to which the franked dividend was taken into account is determining your distribution.

However, your entitlement to the franking credit will also depend on whether you also meet the '45 day' rule in respect of your investment in the applicable Magellan Fund. That is, your entitlement to claim the franking credits may be denied if a distribution relates to Units that you have not owned 'at risk' for a continuous period of 45 days (not including the day of acquisition or the day of disposal). A 'last in first out' approach should be applied in determining whether the 45-day period requirement is satisfied.

Foreign Income and Foreign Tax Credits

Where a Magellan Fund has paid foreign tax in respect of foreign income from foreign investments, the Magellan Fund may be entitled to distribute the foreign tax credit to you. Where the Magellan Fund is entitled to distribute these credits, you are required to include not only your share of the income received but also your share of the foreign tax credits, as a 'gross up', in your taxable income.

You may be able to use these foreign tax credits to reduce the Australian tax payable on your foreign source income. However, foreign tax credits can only be used to offset the Australian tax otherwise payable by you on your net foreign source income. At present, your foreign tax credit entitlement is calculated according to the classes of the foreign income. However, the Federal Government has introduced legislation which is expected to abolish this class requirement from 1 July 2008, allowing foreign tax credits to be claimed against all foreign income.

Where foreign tax credits are not utilised in any particular year, they can generally be carried forward for a period of up to five years. You will be advised of your share of foreign tax credits in your annual tax statement.

Australian Tax Position of Non-Resident Investors

We recommend that a non-resident Unit holder should seek their own professional advice from a financial adviser and/or tax adviser in relation to their particular circumstance prior to investing in the Magellan Funds.

Broadly, Australian tax will be withheld from distributions of certain Australian source income to non-resident Unit holders. In addition, non-resident Unit holders may be subject to tax in the country in which they reside, but they may be entitled to a tax credit against that tax for some or all the Australian tax deducted.

New Zealand Resident Investors

We refer New Zealand resident Investors to **Section 11** "Important Information for New Zealand Investors" for further information regarding the tax consequences of investment in the Magellan Funds for New Zealand investors.

Annual Tax Statement

An annual tax statement will be issued to you by the Magellan Funds in respect of each year ending 30 June, setting out the taxable and/or non taxable components of your distributions, together with any foreign tax credits or franking credits to which you may be entitled.

Further, your tax statement will indicate whether any Tax File Number withholding tax, or non-resident withholding tax amounts, have been deducted from your distribution payments during the year. The information provided in this statement is intended to help you complete your annual Australian income tax return.

Tax File Number (TFN) – Australian Business Number (ABN)

Providing the Magellan Funds with your Tax File Number is not compulsory. However, it should be noted that without your TFN or appropriate exemption information, the relevant Magellan Fund will be required to withhold tax from distributions paid to you at the highest Australian marginal income tax rate (plus Medicare levy) until your TFN or exemption is quoted. An Australian Business Number may be used as an alternative to quoting a TFN where your investment in a Magellan Fund is in the course of carrying out an enterprise. Each Magellan Fund is authorised under Australia's taxation laws to collect TFNs and ABNs in conjunction with your investment in the Magellan Fund.

11.0 Important Information for New Zealand Investors

The information in this section is required under the Securities Act (Australian Registered Managed Investment Schemes) Exemption Notice 2003.

The document that this statement is contained in, or is accompanied by, is not an investment statement under New Zealand law. It is a Product Disclosure Statement prepared under Australian law. There are likely to be differences between the information provided and the way that information is presented in the Product Disclosure Statement as compared to an investment statement under New Zealand law.

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions and seek competent advice prior to committing yourself.

New Zealand investors should read the Product Disclosure Statement in light of this "Important Information for New Zealand Investors" section of the Product Disclosure Statement.

Choosing an Investment

When deciding whether to invest, consider carefully the answers to the following questions:

- What sort of investment is this?
- Who is involved in providing it for me?
- How much do I pay?
- What are the charges?
- What returns will I get?
- What are my risks?
- Can the investment be altered?
- How do I cash in my investment?
- Who do I contact with enquiries about my investment?
- Is there anyone to whom I can complain if I have problems with the investment?
- What other information can I obtain about this investment?

Choosing an Investment Adviser

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- whether the adviser gives advice only about particular types of investments; and
- whether the advice is limited to the investments offered by one or more particular financial organisations; and
- whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within 1 month of receiving the advice. In addition:

- if an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- if an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose. Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

What are the participatory securities offered in New Zealand?

The securities offered for investment by New Zealand investors are Australian participatory securities in the form of Units in two registered managed investment schemes (**Funds**) established in and operated under the laws of Australia.

Copies of certain documents have been registered with the Companies Office in New Zealand

Copies of the following documents have been received by the New Zealand Registrar of Companies in accordance with the Securities Act (Australian Registered Managed Investment Schemes) Exemption Notice 2003:

- the Product Disclosure Statement relating to each of the Funds;

- all documents, or parts of documents, lodged or registered with ASIC that are referred to in the Product Disclosure Statement and taken to be included in that document under the Corporations Act in respect of the Funds;
- all exemptions, orders, and declarations that have been granted by ASIC in respect of each Fund (other than exemptions, orders or declarations that applies to Australian registered schemes generally or to a class of persons);
- the licences of the Responsible Entity, granted under the Corporations Act;
- the Constitution of each Fund;
- evidence of registration of each Fund with ASIC;
- the compliance plan required under the laws of Australia relating to each Fund;
- any document that amends or supplements any of the above documents in existence at the time that the first offer of any Unit in each Fund is made or open for acceptance in New Zealand.

Copies of any document that amends, supplements, or replaces the Product Disclosure Statement after the first offer of Units in each Fund is made in New Zealand will be sent to the Registrar of Companies before any further allotment of Units is made in New Zealand.

The above documents can be inspected at the office of the Registrar of Companies and can be obtained from the Responsible Entity.

Certain documents will be made available on request

The person who makes the offer will, within 5 working days of receiving an offeree's request for a copy of the Product Disclosure Statement, without fee, send, or cause to be sent, to that offeree:

- (i) a copy of the Product Disclosure Statement; and
- (ii) copies of any documents that, under the laws of Australia, must accompany a copy of the Product Disclosure Statement sent to any person to whom an offer of the Australian participatory securities is made in Australia; and

- (iii) a copy of any document, or part of a document, lodged or registered with ASIC that is referred to in the Product Disclosure Statement and is taken to be included in that document under the Corporations Act; and

- (iv) a copy of any supplementary disclosure document in use at the time that the request is received.

Manner of allotment of Units

The allotments of Units in the Funds will be made in the manner specified in the Product Disclosure Statement and in the manner prescribed by the laws of Australia.

Responsible Entity

The name and address of the Responsible Entity of the Australian registered scheme is set out in the Corporate Directory at the end of the Product Disclosure Statement. The Responsible Entity may not be subject in all respects to New Zealand law.

Particular risks or differences with New Zealand

Returns to New Zealand investors are likely to be affected by New Zealand taxation rules and, as a result, any forecast or projected returns may differ from the returns for Australian investors described in the Product Disclosure Statement. These differences are specified in further detail below. Despite the tax information provided below, investors should satisfy themselves as to the tax implications of investing in the Units.

Investing in the Fund may carry with it a currency exchange risk because the Units are denominated in Australian dollars.

The financial reporting requirements applying in New Zealand and those applying in respect of each Fund may be different, and the financial statements of each Fund may not be compatible in all respects with financial statements prepared in accordance with New Zealand law.

Although copies of the Product Disclosure Statement and other documents have been received by the Registrar of Companies, the Product Disclosure Statement has not been registered in New Zealand under New Zealand law and may not contain all the information that a New Zealand registered prospectus is required to contain.

Australian law does not require a trustee (unlike the position in New Zealand for unit trusts), or a statutory supervisor (unlike the position in New Zealand for contributory schemes involving participatory securities), that is separate from, and independent of, the Responsible Entity.

Agreement as to Jurisdiction

In respect of a dispute concerning an offer of Units in each Fund offered in reliance on any exemption in clause 5 of the Securities Act (Australian Registered Managed Investment Schemes) Exemption Notice 2003 or the contract for Units in the Funds, the Responsible Entity:

- agree to submit to the non-exclusive jurisdiction of the New Zealand Courts;
- have instructed Minter Ellison Rudd Watts, Level 20, Lumley Centre, 88 Shortland Street, Auckland 1010 as its New Zealand agent to accept service of documents on its behalf,
- agree that this statement is an agreement with each investor for the purposes of section 389(1)(e) of the Companies Act 1993.

Despite these statements, the contract in respect of Units in the Funds may not always be enforceable in New Zealand courts.

New Zealand Tax

This summary addresses certain New Zealand taxation consequences for Unit holders that are resident in New Zealand for income tax purposes (referred to as New Zealand resident investors), based on the law as at 23 July 2007. The summary considers direct investors only. Indirect investors investing through an IDPS should consult their tax adviser.

This New Zealand tax summary is of a general nature, is not intended to be an authoritative or complete statement of the applicable laws and should not be interpreted as advice. Note that the levels and basis of tax change frequently. The tax implications of investing in a managed investment scheme will depend on your particular circumstances. Therefore, despite the information provided below, prospective investors should satisfy themselves as to the tax implications of investing in the Units of the Magellan Funds and should seek independent professional advice from a financial and/or taxation adviser before investing in the Funds - they should not rely on this summary.

Offshore portfolio equity investments (i.e. investments of less than 10% of the shares in a foreign company) are subject to tax under New Zealand's foreign investment fund ("FIF") rules. A unit trust is treated as a company for New Zealand tax purposes. The Funds, being Australian unit trusts, will fall within the definition of a unit trust for New Zealand tax purposes. Accordingly, an investment

in the Funds by a New Zealand resident investor will be deemed to be an investment in shares in Australian resident companies for New Zealand tax purposes.

The FIF rules were amended in December 2006, with effect from income years beginning on or after 1 April 2007. As a result, an investment in the Funds of less than 10% by a New Zealand resident investor will be subject to taxation under the FIF rules (the only exception to this will be investors falling within the "*de minimus*" threshold described further below under the heading "Tax treatment of investment under the FIF rules").

It is important to be aware that the information provided in this section is not a complete summary of the application of the new FIF rules or the applicable methods, which are very complex.

Tax treatment of investment under the FIF rules

The FIF rules will apply to an investment in the Funds by New Zealand resident investors. There are a number of specific exemptions from the FIF rules, which include investments in shares in Australian resident companies which are listed on an ASX market rules approved index and which are required to maintain franking credit accounts (i.e., pay imputed dividends) and investments in certain Australian resident unit trusts that meet specified minimum turnover requirements and that have resident withholding tax deducted from distributions by a NZ agent (i.e., an RWT proxy). These exemptions, including the exemption for Australian resident unit trusts, will not apply to an investment in the Funds by a New Zealand resident investor.

Accordingly, New Zealand resident investors in the Funds will be required to apply the FIF rules to their investment, unless they fall within the *de minimus* threshold. This threshold applies to natural person investors and certain trusts (not including family trusts) whose total foreign investments cost less than NZ\$50,000 (in this context, "total foreign investments" does not include foreign investments that are not themselves FIF interests because they fall within one of the specific exemptions from the FIF rules). Where the NZ\$50,000 *de minimus* threshold is exceeded, investors will be subject to tax under the FIF rules on their whole portfolio (i.e. the first NZ\$50,000 of FIF interests held are not excluded from taxation).

Under the FIF rules, New Zealand resident investors will generally be required to apply the “fair dividend rate” method (one of six methods) to their investment in the Funds. Investors should seek advice as to which FIF method can be used to determine their tax liability under the FIF regime.

In very simplified terms, the fair dividend rate method will apply to New Zealand resident investors in the Funds as follows:

- Under the fair dividend rate method investors will be taxed each year on 5% of the total opening market value (at the beginning of each income year) of all of their foreign portfolio share investments.
- Any purchases and sales of shares made during an income year are ignored until the next income year. But if shares are bought and sold within the same income year, then there is a “quick sale adjustment” under which the investment is taxed on the lesser of 5% of the average cost of the shares sold, or the actual gains made from holding and sale.
- For investors that are natural persons or certain trusts (including family trusts), if the actual total return on their foreign portfolio share investments in any given year is less than 5% of the opening market value of their portfolio calculated under the fair dividend rate method, they can elect to be taxed on the actual total return, by applying a different calculation method to their investment, the comparative value method.
- To the extent the total return is negative, no deduction is allowed for losses under that method.

Distributions from the Funds

- Regardless of actual distributions received, under the fair dividend rate method investors will be taxed on an annual basis on 5% of the total opening market value of all of their foreign portfolio investments. Any distributions received from the Funds will be disregarded and will not be separately subject to tax.
- Foreign tax credits for Australian withholding tax paid in respect of distributions made by the Funds should generally be creditable against a New Zealand investor’s New Zealand tax liability.

Sale of Units in the Funds

- Any income received from a disposal of Units in the Funds will be disregarded and will not be separately subject to tax.

- Note that if the Units in the Funds were held at the beginning of the relevant income year their value will still be included in the total opening market value of all FIF interests that are subject to tax under the fair dividend rate method as described above, regardless of how soon after the beginning of the year the Units are sold.

- As income derived on the disposal of Units in the Funds will not be separately subject to tax, conversely any loss on disposal will not be deductible.

Tax treatment for investors not applying the FIF rules to their investment

New Zealand resident investors in the Funds that are not applying the FIF rules to their investment because they fall within the NZ\$50,000 *de minimus* threshold will be subject to taxation in respect of their holding of Units in the Funds as described below.

Distributions from the Funds

Any income distributions (which includes where a beneficial interest in any money or property of a Fund vests absolutely in the Unit holder) received by a New Zealand resident investor in respect of their holding of Units in the Funds will be taxable as dividends. These investors will be taxable on the value of the distribution received at their personal marginal tax rate, in the tax year in which the distribution was received. Again, foreign tax credits for Australian withholding tax paid in respect of distributions made by the Funds should generally be creditable against a New Zealand investor’s New Zealand tax liability.

Sale of Units in the Funds

For New Zealand resident investors that are not applying the FIF rules to their investment, a sale of their Units in the Funds for a profit will constitute assessable income if the Units are held on revenue account. The Units will be held on revenue account if the investor is in the business of dealing in such property, if the Units were acquired for the purpose of selling or otherwise disposing of them, or if the profit is derived from the carrying on or carrying out of an undertaking or scheme entered into or devised for the purpose of making a profit. Otherwise, Units in the Funds will be held on capital account and any profit on their sale should not be subject to tax in New Zealand.

Differences from Australia

New Zealand resident investors need to appreciate that returns to them may differ from returns to Australian resident investors on account of the differences between the tax consequences for New Zealand resident investors and Australian resident investors.

In particular, New Zealand resident investors should appreciate that:

- New Zealand investors that are subject to tax on their investment in the Funds under New Zealand's FIF rules will be taxed in a very different manner from Australian investors. Where New Zealand resident investors are applying the fair dividend rate method to their investment, taxation will be based on the opening market value of their total foreign investments, regardless of actual distributions, which will be disregarded and not separately subject to tax.
- Australia has a comprehensive capital gains tax regime. New Zealand does not have a similar regime, and any sale proceeds derived by New Zealand resident investors that are applying the fair dividend rate under the FIF rules to their investment will be disregarded and not separately subject to tax.
- Any Australian franking credits that may be attached to distributions made from the Funds cannot be utilised by New Zealand resident investors.
- Foreign tax paid by a Fund in respect of foreign income from foreign investments made by the Fund will not be available to New Zealand resident investors. New Zealand resident investors may be entitled to foreign tax credits for any Australian withholding tax paid in respect of distributions made by the Fund.

New Zealand resident investors should note that the above represents only a general summary of the likely effect of the key differences between the tax consequences for New Zealand resident investors and Australian resident investors on returns to New Zealand resident investors. As indicated above, this information is of a general nature, is not intended to be an authoritative or complete statement of the applicable laws and should not be interpreted as advice. The tax implications of investing in a managed investment scheme will depend on your particular circumstances. Prospective investors must satisfy themselves as to the tax implications of investing in the Units of the Magellan Funds and should seek independent professional advice from a financial and/or taxation adviser before investing in the Funds.

12.0 Material Contracts and Constitution

12.1 Constitution

The operation of each Magellan Fund is governed under the law and their respective Constitutions which addresses matters such as Unit pricing and withdrawals and applications; the issue and transfer of Units; Unit holder meetings; Unit holders' rights, Unit holders' rights to income of the Magellan Fund; the Manager's powers to invest, borrow and generally manage the Magellan Fund and fee entitlement and right to be indemnified from the Magellan Fund's assets. The Constitutions state that your liability is limited to the amount you paid for your Units, but the courts are yet to determine the effectiveness of provisions of this kind. We may alter a Constitution if we, as the responsible entity, reasonably consider the amendments will not adversely affect investors' rights. Otherwise we must obtain investors' approval at a meeting of investors. We may retire or be required to retire as responsible entity (if investors vote for our removal). No Units may be issued after the 80th anniversary of the date of the Constitution. The Manager may exercise its right to terminate the Magellan Fund earlier. Your rights to requisition, attend and vote at meetings are mainly contained in the Corporations Act.

You can inspect a copy of a Constitution at our head office or we will provide you with a copy free of charge.

Each Constitution gives us a number of rights, including a number of discretions relating to unit pricing. You can obtain a copy of our Unit Pricing Permitted Discretions Policy, free of charge, by calling us on 02 8114 1888.

12.2 Prime Brokerage and Custody

Each Magellan Fund has appointed Merrill Lynch International ("MLI") as Prime Broker and Custodian pursuant to separate International Prime Brokerage Agreements supplemented by MLI's standard Terms and Conditions of Business (each the "International Prime Brokerage Agreement"). Under the terms of each International Prime Brokerage Agreement the services provided by MLI will include the clearing and settlement of transactions and financing and securities lending and in connection therewith MLI will act as custodian of each Fund's assets.

MLI will, in accordance with the rules of the Financial Services Authority ("FSA"), identify, record and hold each

Fund's investments held by MLI in such a manner that the identity and location of the investments can be identified at any time and so that such investments are readily identifiable as belonging to a customer of MLI and are separately identifiable from MLI's own investments, and should therefore be unavailable to the creditors of MLI. Where, due to the nature of the law or market practice of jurisdictions outside the United Kingdom, it is in the relevant Fund's best interests, or it is not feasible to do otherwise, MLI may register that Fund's investments in the name of MLI, and in the event of MLI's default may not be as well protected. In acting as custodian of each Fund's assets, MLI will comply with the relevant provisions of the Corporations Act and applicable ASIC policy statements relating to registered managed investment scheme property arrangements with custodians.

MLI may appoint sub-custodians, including affiliates of MLI, and utilise Securities Depositories and shall be liable for losses arising out of the insolvency, acts or omissions of any sub-custodian that is an affiliate of MLI, but not of any other sub-custodian or Securities Depository. MLI shall exercise reasonable skill, care and diligence in the selection and monitoring of any sub-custodian and shall be responsible, for the duration of the sub-custody arrangement, for satisfying itself as to the ongoing suitability of any such sub-custodian to provide custodial services. MLI will maintain an appropriate level of monitoring over any such sub-custodian and will make appropriate periodic enquiries to confirm that the obligations of such sub-custodian continue to be competently discharged.

As security for the payment and discharge of all liabilities of a Fund to MLI and other Merrill Lynch Companies (as defined in the International Prime Brokerage Agreement), including Merrill Lynch International (Australia) Limited ("MLIA"), all investments and cash held by MLI will be charged by the relevant Fund in favour of MLI in accordance with each International Prime Brokerage Agreement and will therefore constitute collateral for the purposes of the FSA rules. Investments and cash may also be deposited by a Fund with MLI or MLIA as margin and will also constitute collateral for the purposes of the FSA rules. In certain circumstances (and to the extent permitted under the Corporations Act), investments which constitute collateral for the purposes of the FSA rules will not be segregated from MLI's own investments and may be available to creditors of MLI.

Any cash which MLI holds or receives on a Fund's behalf will not be treated as client money and will not be subject to the client money protections conferred by the FSA's client money rules. As a consequence, each Fund's cash will not be segregated from MLI's own cash and will be used by MLI in the course of their business, and the Fund will therefore rank as one of MLI's general creditors in relation thereto. Any cash held by MLIA as margin may be used by MLIA in the course of its business and the relevant Fund will rank as one of MLIA's general creditors in relation thereto.

Each Fund's investments held by MLI may be used by MLI for its own purposes or the purposes of any third party, whereupon such investments will become the property of MLI and the relevant Fund will have a right against MLI for the return of equivalent assets. The relevant Fund will rank as an unsecured creditor in relation thereto and, in the event of the insolvency of MLI, the relevant Fund may not be able to recover such equivalent assets in full.

MLI will not be liable for any loss to any Fund resulting from any act or omission in relation to the services provided under an International Prime Brokerage Agreement, unless such loss results from the negligence, wilful default or fraud of MLI or any of its affiliates. MLI will not be liable for the solvency, acts or omissions of any sub-custodian or other agent which is not an affiliate of MLI. Each Fund has agreed to indemnify MLI and its affiliates generally against losses suffered by, and any claims made against, them.

MLI is wholly owned direct or indirect subsidiary of Merrill Lynch & Co., Inc. Merrill Lynch & Co., Inc. is a publicly traded holding company whose subsidiaries provide a wide range of investment banking, securities trading and brokerage services to both domestic and international clients. MLI is regulated in the United Kingdom by the FSA and is an authorised person under the United Kingdom Financial Services and Markets Act 2000. The laws of England and Wales which apply to MLI differ from Australian Law. MLI is exempt from the Australian requirement to hold an Australian financial services licence under the Corporations Act by ASIC Class Order 03/1099.

MLI is a service provider to each Fund and is not responsible for the preparation of this document or the activities of each Fund. It has not authorised or caused the issue of any part of this document and therefore accepts no responsibility for any information contained in this document. MLI will not participate in the investment decision-making process of any Fund.

The Manager reserves the right to change the prime brokerage and custodian arrangements with respect to a Magellan Fund described above by agreement with MLI and/or, in its discretion, to appoint additional or alternative prime broker(s) and custodian(s) without notice to the relevant Unit holders. Relevant Unit holders will be notified in due course of any change to, or appointment of additional, prime broker(s) and custodian(s). Any changes will be made available at: www.magellangroup.com.au.

12.3 Administrator

The Manager has appointed FundBPO Pty Limited ("Administrator") to provide all back office fund administration processes including investor interface, registry, trade matching, investment reporting and accounting. The Manager maintains strict controls, including detail and regular reporting processes.

The Administrator is a fund administration and processing specialist and is a wholly owned subsidiary of MainstreamBPO Pty Limited. Its business is the provision of 'back-office' functions for fund managers and financial institutions.

The Administrator has not been involved in the preparation of any part of the PDS. It has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of the PDS.

13.0 Additional Information

13.1 Communication and Reporting

Unit holders will be provided with the reports set out in the table below. Unit holders will also receive confirmations of their Unit applications and withdrawals. Unit holders may ask the Manager for additional information as reasonably required, although the Manager may not always be able to satisfy such requests.

STATEMENT	TIMING
Investor updates	Semi-annually published at www.magellangroup.com.au
Holding statements	At the time of your initial or subsequent investments and with income distribution statements
Income distribution statement (including details of income entitlements)	Annually following 30 June
Annual report (including the Magellan Fund's audited accounts)	Annually

13.2 Further Information

A non-exhaustive summary of some of the key terms of each Constitution of the Magellan Funds has been set out in this PDS. For further information about a Magellan Fund, contact your financial adviser. Each Constitution may be viewed between 9am and 5pm, Sydney time, on weekdays by contacting the Manager on info@magellangroup.com.au or +612 8114 1888.

13.3 Disclosing Entity

At the date of this PDS, neither Magellan Fund is currently a disclosing entity under the Corporations Act. If this changes, the Magellan Funds will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to each Magellan Fund may be obtained from, or inspected at, any ASIC office.

If and when a Magellan Fund becomes a disclosing entity, you may obtain a copy of:

- (a) its annual financial report most recently lodged with ASIC;
- (b) any half-year financial reports lodged with ASIC by it after lodgement of that annual report and before the date of this PDS; and
- (c) any continuous disclosure notices given by it after that date of lodgement of that annual report and before the date of this PDS,

on request from the Manager free of charge.

13.4 Complaints Resolution

The Manager has a formal policy in place for dealing with complaints. In the first instance, complaints should be in writing to the Company Secretary, Magellan Asset Management Limited, Level 1, 1 Castlereagh Street, Sydney NSW Australia 2000. If a Unit holder believes their complaint has not been resolved, they should then write to the Complaints Officer at the above address. The Manager will acknowledge Unit holder complaints within 30 days of receipt and will generally investigate complaints and aim to provide a response (if not resolve the complaint) within 60 days of receipt of the complaint although some complaints may take significantly longer to deal with. If you are ultimately dissatisfied with the outcome of your complaint you may refer the matter, free of charge, to the Financial Industry Complaints Service (FICS) which is an external dispute resolution scheme:

Phone: 1300 780 808

Fax: (03) 9621 2291

Email: fics@fics.asn.au

Mail: PO Box 579
Collins Street West
Melbourne VIC 8007

13.5 Privacy

The application form accompanying this PDS requires you to provide personal information. The Manager, and service providers to the Manager or the Magellan Funds may collect, hold and use your personal information in order to assess your application, service your needs as a client or investor, provide facilities and services to you, the Manager or the Magellan Funds and for other purposes permitted under the *Privacy Act 1998* (Cth). Tax and company law also require some of the information to be collected in connection with your application. If you do not provide the information requested or provide us with incomplete or inaccurate information, your application may not be able to be processed efficiently, or at all. Your information may be disclosed to your financial adviser and to the Manager's agents and service providers on the basis that they deal with such information in accordance with the Manager's privacy policy.

Your personal information may also be used by us to administer, monitor and evaluate products and services, gather, aggregate and report statistical information, assist you with any queries and take measures to detect and prevent fraud and other illegal activity. We may also be allowed or obliged to disclose information by law and to report on risk management matters. Contact the Manager using its contact details in the Corporate Directory if you do not want your personal information to be used for this purpose, you have concerns about the completeness or accuracy of the information we have about you or would like to access or amend your personal information held by the Manager (or its registry provider). Also contact the Manager if you would like a copy of its privacy policy.

13.6 Service Providers

The Manager has appointed:

- (a) FundBPO Pty Limited to provide administrative and registry services for the Magellan Funds; and
- (b) KPMG as auditors of the Magellan Funds.

13.7 Consents

The following parties have given written consent (which has not been withdrawn at the date of this PDS) to being named, in the form and context in which they are named, in this PDS:

- (a) FundBPO Pty Limited;
- (b) KPMG;
- (c) Merrill Lynch International;
- (d) Minter Ellison as Australian legal advisor and tax adviser; and
- (e) Minter Ellison Rudd Watts as New Zealand legal advisor and tax adviser.

Each of these persons named above who has consented to be named in this PDS:

- (f) has not authorised or caused the issue of this PDS;
- (g) does not make or purport to make any statement in this PDS (or any statement on which a statement in this PDS is based) other than as specified; and
- (h) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this PDS other than the reference to their name in a statement or report included in this PDS with their consent as specified.

14.0 Glossary

A\$ or \$	Australian dollars.
Application Amount	The amount contributed by an investor to acquire Units in a Magellan Fund.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange.
Business Day	Any day that is not a Saturday, Sunday or public holiday in Sydney, Australia.
Constitution	The Constitution of a Magellan Fund as amended from time to time.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
derivative	A financial product that changes in value according to changes to the value of a designated asset (for example, foreign exchange, shares).
foreign exchange contract	An agreement to exchange foreign currencies at a particular exchange rate at a particular time.
FSG	The financial services guide included with this PDS.
Fund Administrator	FundBPO Pty Limited
Funds or Magellan Funds	Magellan Global Fund ARSN 126 366 961 and Magellan Infrastructure Fund ARSN 126 367 266. Australian domiciled unit trusts, constituted by and under their respective Constitutions and registered as managed investment schemes.
GST	Goods and Services Tax chargeable in accordance with the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)
Investment Committee	The investment philosophy of the Magellan Funds as described in Section 3 .
Investment Objectives	The investment objectives of the Magellan Funds as described in Section 3 .
Investment Philosophy	The investment philosophy of the Magellan Funds as described in Section 3 .
leverage	Borrowing money to invest.
Magellan Asset Management	Magellan Asset Management Limited ABN 31 120 593 946, AFSL 304301.
Manager	Magellan Asset Management as responsible entity and investment manager of the Funds.
Net Asset Value	The net asset value of a Magellan Fund or its Units (as applicable) as determined under its respective Constitution. Refer Section 9.1 .
NZ\$	New Zealand dollars.
Portfolio Construction Guidelines	The portfolio construction guidelines of the Magellan Funds as described in Section 3 .
PDS	This product disclosure statement.
short selling	An investor enters into an arrangement where the investor sells that asset and then later gives the asset back after having bought it back at hopefully a lower price. The difference between the sale price and the lower price (if any), less any associated costs, is a profit for the investor.
Unit holder	A person entered on the register of a Magellan Fund as a holder of Units.
Units	A beneficial interest in a Magellan Fund as offered under this PDS.
US Persons	Has the meaning given to the term in Regulation S of the U.S. Securities Act 1933 (as amended).

Financial Services Guide

Dated: 23 July 2007

This Financial Services Guide ("FSG") is an important document. As an Australian Financial Services Licensee, Magellan Asset Management Limited ("we", "our" or "us") ABN 31 120 593 946, AFSL 304301, are required to give you an FSG. The FSG provides you with information about us to help you decide whether to use the financial services we provide. This FSG outlines the types of services and products we can offer to you. It also explains how we (and other relevant persons) are remunerated for these services and includes details of our internal and external complaints handling procedures and how you can utilise them.

The FSG is designed to help you understand our services and products before you use them or invest in them. You will receive other documents as well if you use some of our services or products. You should read them carefully and consult with your financial adviser if required.

To invest in any of our financial products you must complete the application form attached to, or accompanying, the relevant Product Disclosure Statement (PDS). The PDS contains information about the particular product and will assist you in making an informed decision about that product. The PDS for this Fund, dated 23 July 2007, is contained on pages 1 to 48 of this combined document.

Information About Us

Any financial services offered are provided by our representatives. We are part of Magellan Financial Group, an investment management group based in Sydney, Australia. Magellan Financial Group was formed in 2006.

We do not act as a representative of any other licensee in relation to the services we provide you.

Our Financial Services and Financial Products

We are authorised to provide the following financial services with respect to the following financial products.

- Giving advice and dealing in, amongst other things:
 - Securities;
 - Derivatives;
 - Foreign exchange contracts; and
 - Managed investment schemes (excluding investor directed portfolio services).
- Operating Magellan Global Fund and Magellan Infrastructure Fund as responsible entity.

These managed investment schemes may hold:

 - Derivatives; and
 - Financial assets.

We are authorised to provide financial services to retail and wholesale clients.

Product Disclosure Statement (PDS)

The PDS (which is combined with this FSG) contains important information regarding the features, benefits, risks and fees applicable to investment in this Fund, and should be read carefully to enable you to make an informed decision about whether to acquire or invest in the Fund. To invest in the Fund you must complete the application form accompanying this combined document.

Statement of Advice (SOA)

The SOA will normally be given when you are provided with any personal advice which takes into account your objectives, financial situation and needs. We do not provide personal advice. Therefore, we will not provide you with an SOA, but an intermediary (such as a financial planner, stockbroker or dealer group) may provide you with an SOA.

Record-keeping

We will seek to ensure that comprehensive and accurate records of all transactions and investments undertaken, and documentation executed, are properly maintained.

Remuneration or Other Benefits Received by Us

If you invest in this Fund, we will receive remuneration in relation to your investment in this Fund.

This remuneration may include contribution fees and management costs (which include transaction, ongoing and, if applicable, any borrowing costs). Withdrawal fees and transaction fees may apply. We may also be entitled

to recover expenses incurred on behalf of this Fund. The remuneration and expense recoveries we will receive for this Fund is set out in **Section 8** of the PDS of this combined document.

We do not receive any fees, nor do we charge you additional fees for providing financial product advice.

Financial advisers and intermediaries may also receive fees and typically, this will be disclosed in the SOA. Some advisers may receive remuneration from one or more entities in Magellan Financial Group for distributing or marketing financial products or services.

Remuneration or Other Benefits Received by Magellan Financial Group

Our employees who give you advice do not receive specific payments or commissions for the giving of that advice. These employees and our directors and company secretary receive salaries, bonuses and other benefits from us. Bonus payments and other benefits are discretionary, and based on achievement of pre-determined objectives.

You may receive advice in relation to the products we offer from financial advisers that do not work for us. These advisers may receive remuneration from us. The adviser's remuneration is included in the fees you pay when investing in our products.

The amount of this remuneration is set out in **Section 8** of the PDS of this combined document. Your adviser is also required to set out the remuneration and commissions they receive in the FSG and SOA which they must give to you.

Various members of Magellan Financial Group and their directors, company secretaries and employees have agreed to provide certain financial, information technology, human resource and other services to us to enable us to provide the services described in this FSG. They will not be separately remunerated by you. The costs of providing these services will be paid by us from the fees we receive and investors in our funds will not pay a separate fee for these services.

Remuneration or Benefits Paid To Other Parties

Where you have been referred to us by someone else, or a third party, we may pay them a fee or commission in relation to that referral. If so, separate disclosure will be made to you.

Disclosure of Relevant Conflicts of Interest

We do not have any relationships or associations which might influence us in providing you with our services.

Privacy

Please refer to **Section 13.5** of this combined document (the PDS dated 23 July 2007) for details about how your personal information is dealt with.

Complaints Handling

Please refer to **Section 13.4** of this combined document (the PDS dated 23 July 2007) for details about our complaints handling procedures.

Providing Instructions and Contacting Us

You can give us instructions or contact us by telephone, mail, email, fax or via our website. There may be special instructions or arrangements for some products and services – details of which are explained in **Section 15** of the PDS of this combined document.

Contact Details

Magellan Asset Management Limited
Level 1, 1 Castlereagh Street
Sydney NSW 2000

Tel (02) 8114 1888

Fax (02) 8114 1800

Info@magellangroup.com.au

Where to Send the Completed Application Form

You should read the PDS. Please send the completed Application Form and cheque (if any) to:

FundBPO – Unit Registry
GPO Box 4968
Sydney NSW 2001

Tel 1300 133 451

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ABN 31 120 593 946
Australian Financial Services Licence No. 304 301

Application Form

This Application Form relates to the Magellan Global Fund and the Magellan Infrastructure Fund (Magellan Funds) offered under the combined Financial Services Guide and Product Disclosure Statement (PDS) dated 23 July 2007 and the Supplementary Combined Financial Services Guide and Product Disclosure Statement (Supplementary FSG & PDS) Dated 30 September 2010. The PDS and Supplementary FSG & PDS contain important information about investing in the Magellan Funds. Please read the PDS and Supplementary FSG & PDS before applying for units in the Fund. If you give another person access to this Application Form you must at the same time and by the same means give the other person access to the PDS and Supplementary FSG & PDS. We will send you paper copies of the PDS, Supplementary FSG & PDS and the Application Form, on request and free of charge.

NO (PROCEED TO PART 2)

YES, MY INVESTOR NUMBER:

FOR MAGELLAN GLOBAL FUND IS:

FOR MAGELLAN INFRASTRUCTURE FUND IS:

ACCOUNT NAME :

(EXISTING INVESTORS - PLEASE PROCEED TO PART 4)

YOUR INSTRUCTIONS ON THIS APPLICATION FORM WILL OVERRIDE ANY INSTRUCTIONS PREVIOUSLY GIVEN FOR YOUR ACCOUNT

PART 2. INVESTOR DETAILS

INDIVIDUAL JOINT COMPANY TRUST (INCLUDING SELF MANAGED SUPER FUNDS) PARTNERSHIP

INVESTOR A / TRUSTEE A

TITLE FIRST NAME SECOND NAME

SURNAME

DATE OF BIRTH DD / MM / YYYY

TAX FILE NUMBER

OR EXEMPTION REASON (PLEASE ALSO PROVIDE SUPPORTING DOCUMENTATION)

ABN (IF APPLICABLE)

INVESTOR B / TRUSTEE B

TITLE FIRST NAME SECOND NAME

SURNAME

DATE OF BIRTH DD / MM / YYYY

TAX FILE NUMBER

OR EXEMPTION REASON (PLEASE ALSO PROVIDE SUPPORTING DOCUMENTATION)

ABN (IF APPLICABLE)

COMPANY / CORPORATE TRUSTEE

COMPANY NAME

TAX FILE NUMBER

ABN (IF APPLICABLE)

TRUST / PARTNERSHIP

TRUST / PARTNERSHIP NAME

TAX FILE NUMBER

ABN (IF APPLICABLE)

PART 3. CONTACT DETAILS

TITLE FIRST NAME SECOND NAME

SURNAME

STREET NUMBER AND NAME OR PO BOX
SUBURB

COUNTRY

STATE

POSTCODE

PHONE (H)

PHONE (W)

PHONE (M)

FACSIMILE

EMAIL

IMPORTANT
Please refer to the investor identification requirements in Parts 12 to 16

Individual: Enter details in 'Investor A'

Joint: Enter details in 'Investor A' and 'Investor B'

Company: Enter details in 'Company'

Trust – Individual(s) as Trustees: Enter details in 'Trustee A' and, if joint trustees enter details in , 'Trustee A' and 'Trustee B'

Trust – Corporate Trustee: Enter details in 'Corporate Trustee' and enter trust name in 'Trust'

Partnership: Enter the names of each partner in 'Investor A' and 'Investor B' and enter partnership name in 'Partnership'. If insufficient space to list all partners, please provide details as an attachment.

Tax file Number (TFN): you are not required by law to provide your TFN, however if you do not provide it, tax may be deducted from your distributions at the highest marginal tax rate plus the Medicare levy

Each applicant must provide an individual's details. This is the name and address that all correspondence will be sent to.

PART 4. APPLICATION AMOUNT

A minimum initial investment of \$20,000, and minimum subsequent investment of \$5,000, applies to each of the Magellan Funds. If you choose to participate in a regular monthly investment plan, a minimum initial investment of \$10,000, and minimum regular monthly investment of \$200, applies to investments in each of the Magellan Funds (where applicable, insert your regular monthly investment amount in **Part 7**).

I/ we wish to invest the following amount in the Magellan Global Fund:

I/ we wish to invest the following amount in the Magellan Infrastructure Fund:

\$

\$

PREFERRED PAYMENT METHOD

- BY CHEQUE, If paying by cheque, make it payable to: Magellan Asset Management Limited
- BY ELECTRONIC FUNDS TRANSFER, If paying by EFT please include your name (or part thereof) in the EFT description and deposit application monies to the following account:

If investing in the MAGELLAN GLOBAL FUND the bank account details are:
 Bank: National Australia Bank
 Branch: 225 George Street, Sydney NSW 2000
 Account Name: Magellan Asset Management Limited ATF Magellan Global Fund
 BSB 082401 Account Number 85-414-3371

If investing in the MAGELLAN INFRASTRUCTURE FUND the bank account details are:
 Bank: National Australia Bank
 Branch: 225 George Street, Sydney NSW 2000
 Account Name: Magellan Asset Management Limited ATF Magellan Infrastructure Fund
 BSB 082401 Account Number 85-414-3662

- BY DIRECT DEBIT, If paying by Direct Debit provide your bank account details and sign the direct debit request in **Part 6**

PART 5. DISTRIBUTION RE-INVESTMENT

PLEASE INDICATE HOW YOU WOULD LIKE TO RECEIVE FUND DISTRIBUTIONS

- Reinvest in additional units in the applicable Magellan Fund(s); or
- Paid in cash to my/our account. Please provide your financial institution account details in **Part 6**

If no election is made distributions will be re-invested. Your distribution election will apply to your entire unitholding in each Magellan Fund and cannot apply to only part of your holding. The Manager may suspend or discontinue distribution re-investment in its discretion

PART 6. FINANCIAL INSTITUTION ACCOUNT DETAILS

Please provide account details for the payment of withdrawals, payment of distributions (if nominated in **Part 5**), direct debit of initial or subsequent applications amounts (if nominated in **Part 4**) or regular investment plan amounts (if nominated in **Part 7**).

THE ACCOUNT MUST BE IN THE INVESTOR'S NAME

NAME OF FINANCIAL INSTITUTION

BRANCH NAME

BSB ACCOUNT NUMBER

ACCOUNT NAME

DIRECT DEBIT REQUEST

I/WE:

ACCOUNT HOLDER(S)

authorise the Fund Administrator of the relevant Magellan Fund, FundBPO Pty Limited (user ID: 364011), until further notice in writing, to debit the account described above, any amount which it may debit or charge through the direct debit system in connection with my/our application amount or regular investment plan amount.

X

Signature of Bank Account Holder (Director/Sole Director to sign for company)

X

Signature of Bank Account Holder (Director to sign for company)

DATE DD / MM / YYYY

DATE DD / MM / YYYY

By signing this request and/or providing a valid instruction in respect to your Direct Debit Request, you certify that you have understood and agreed to the terms governing the direct debit arrangements between you and FundBPO Pty Ltd. Please refer to the Direct Debit Request Service Agreement set out in **Part 11** below.

PART 7. REGULAR INVESTMENT PLAN (OPTIONAL)

For a Regular Investment Plan, the minimum monthly investment amount is \$200 per fund. I/ we wish to participate in the regular investment plan for the Magellan Funds. I/ we wish to invest the following amount in the Fund on the first business day after the 19th of each month from the account nominated in **Part 6**.

I/ we wish to regularly invest the following amount in the Magellan Global Fund:

I/ we wish to regularly invest the following amount in the Magellan Infrastructure Fund:

\$

\$

PART 8. INVESTOR COMMUNICATIONS

Investor Correspondence

We will periodically send to you transaction confirmations, statements and other material. Please indicate (by ticking **one** box) how you wish to receive these communications

By Email (please note - email address required in Part 3) By Post

Annual Financial Report

The Annual Financial Report for the Magellan Funds will be made available at our website: www.magellangroup.com.au

If you also wish to receive a printed copy of the Annual Financial Report in the post, please tick this box

If no elections are made, all communications will be emailed and Annual Financial Reports will be available on our website.

PART 9. ADVISER AND DEALER GROUP DETAILS (FOR ADVISER AND DEALER GROUPS USE ONLY)

DEALER GROUP NAME			
DEALER GROUP ADDRESS	STATE	POSTCODE	
DEALER GROUP AFSL	PHONE	FAX	
ADVISER FIRM NAME			
ADVISER NAME			
ADVISER PHONE			
ADVISER ADDRESS	STATE	POSTCODE	
ADVISER EMAIL ADDRESS			

ADVISER NOTIFICATIONS

If you wish to be emailed copies of your client's transaction, distribution and tax statements please tick this box
Please ensure you have inserted your email address in the box provided above

ADVISER STAMP

PART 10. DECLARATION & SIGNATURES

I/we declare and agree that:

- All details in this application are true and correct;
- I/we have received and read the current PDS as amended by the Supplementary PDS and agree to be bound by the provisions of the PDS and the Constitution (as amended from time to time) governing the Magellan Global Fund and/or the Magellan Infrastructure Fund (the "Fund" or "Funds"). This Application Form does not form a part of the PDS;
- I/we am/are an individual over 18 years of age, or I am a duly incorporated body;
- If this application is signed under Power of Attorney, the Attorney declares that he/she has not received notice of revocation of that power (a certified copy of the Power of Attorney should be submitted with this application);
- If signing on behalf of a company as a sole signatory, that I am signing as a sole director and sole secretary of the company; and

- If investing as trustee, on behalf of a superannuation fund or trust, that I/we am/are acting in accordance with my/our designated powers and authority under the applicable trust deed. In the case of a superannuation fund, I/we also confirm that it is a complying fund under the Superannuation Industry (Superannuation) Act 1993.

I/we acknowledge that:

- Neither the Manager, its related bodies corporate or associates nor any other person guarantees the repayment of capital or the performance of the Funds or any particular rate of return from the Funds;
- Unit holdings are subject to investment risks, including loss of income and principal invested and possible delays in repayment;
- The Manager is authorised to apply the TFN or ABN provided above and it will be applied to all future applications for Units, including reinvestments, unless I/we advise the Manager otherwise;

- The Manager reserves the right to not accept any application in its absolute discretion;
- If my/our application monies are dishonoured, the Manager will not process my/our application and will notify me/us;
- I/we have read the information on privacy and personal information contained in the PDS and consent to my/our personal information being used and disclosed as set out in the PDS including for, or in relation to, the subscription for Units;
- Application monies will be held in a bank account until invested in the Fund or returned to me/us. Any interest paid on that account will be paid to the Manager and not to applicants regardless of whether their application is not successful;
- Investments in the Funds are subject to investment risk, including possible delays in repayment and loss of income and capital invested. None of the Manager or related bodies corporate, affiliates, associates or officers of any of the above entities guarantees any particular rate of return or the performance of the Funds, nor do they guarantee repayment of capital from the Funds; and

- Investments in the Magellan Funds are not deposits with or other liabilities of the Manager or related bodies corporate, affiliates, associates or officers of any of the above entities.

I/we warrant that:

- I/we will comply and will continue to comply with applicable anti-money laundering and counter-terrorism financing laws and regulations, including but not limited to the law and regulations of Australia in force from time to time (AML/CTF Law);
- I/we am/are not aware and have no reason to suspect that the moneys used to fund my/our investment have been or will be derived from or related to any money laundering, terrorism financing or similar activities illegal under applicable laws or regulations ('illegal activity'); or that the proceeds of my/our investment in a Fund will be used to finance any illegal activities;
- I/we will provide the Manager with all additional information and assistance the Manager may request in order for it to comply with any AML/CTF Law; and
- I/we am/are not a 'politically exposed' person or organisation for the purposes of any AML/CTF Law.

NAME OF INVESTOR 1

SIGNATURE

X

Signatory's position (if applicable): SOLE DIRECTOR DIRECTOR SECRETARY TRUSTEE

NAME OF INVESTOR 2 (IF JOINT INVESTORS, BOTH MUST SIGN)

SIGNATURE

X

Signatory's position (if applicable): SOLE DIRECTOR DIRECTOR SECRETARY TRUSTEE

NAME OF INVESTOR 3 (IF APPLICABLE- IF JOINT INVESTORS, ALL MUST SIGN)

SIGNATURE

X

Signatory's position (if applicable): SOLE DIRECTOR DIRECTOR SECRETARY TRUSTEE

PART 11. DIRECT DEBIT REQUEST SERVICE AGREEMENT

THIS PART 11 APPLIES ONLY IF YOU HAVE INDICATED THAT YOU WISH FOR YOUR INVESTMENT AMOUNTS TO BE PAID BY DIRECT DEBIT. PLEASE ENSURE YOU HAVE PROVIDED THE DETAILS OF YOUR FINANCIAL INSTITUTION AND COMPLETED THE DIRECT DEBIT REQUEST IN PART 6.

The following is your Direct Debit Service Agreement with FundBPO Pty Ltd ABN 81 118 902 891 (**FundBPO**), who acts as the Fund Administrator of the Magellan Funds. The agreement is designed to explain what your obligations are when undertaking a Direct Debit arrangement with FundBPO. It also details what FundBPO's obligations are to you as your Direct Debit Provider. We recommend you keep this agreement in a safe place for future reference. It forms part of the terms and conditions of your Direct Debit Request (DDR) in **PART 6**.

Definitions	<p>account means the account held at your financial institution from which we are authorised to arrange for funds to be debited.</p> <p>agreement means this Direct Debit Request Service Agreement between you and us.</p> <p>banking day means a day other than a Saturday or a Sunday or a public holiday listed throughout Australia.</p> <p>debit day means the day that payment by you to us is due.</p> <p>debit payment means a particular transaction where a debit is made.</p> <p>direct debit request means the direct debit request in Part 6 of the Application Form.</p> <p>us or we means FundBPO, (the Debit User) you have authorised by signing a Direct Debit Request.</p> <p>you means the customer who has signed or authorised by other means the Direct Debit Request.</p> <p>your financial institution means the financial institution nominated by you on the DDR at which the account is maintained.</p>
1. Debiting your Account	<p>1.1 By signing a direct debit request or by providing us with a valid instruction, you have authorised us to arrange for funds to be debited from your account. You should refer to the direct debit request and this agreement for the terms of the arrangement between us and you.</p> <p>1.2 We will only arrange for funds to be debited from your account as authorised in the direct debit request.</p> <p>or</p> <p>We will only arrange for funds to be debited from your account if we have sent to the address nominated by you in the direct debit request, a billing advice which specifies the amount payable by you to us and when it is due.</p> <p>1.3 If the debit day falls on a day that is not a banking day, we may direct your financial institution to debit your account on the following banking day. If you are unsure about which day your account has or will be debited you should ask your financial institution.</p>
2. Amendments by us	<p>2.1 We may vary any details of this agreement or a direct debit request at any time by giving you at least fourteen (14) days written notice.</p>
3. Amendments by you	<p>3.1 You may change, stop or defer a debit payment, or terminate this agreement by providing us with at least fourteen (14) notification by writing to:</p> <p>Unit Registry FundBPO Pty Ltd GPO BOX 4968 Sydney NSW 2001</p> <p>or</p> <p>by telephoning us on 1300 133 451 during business hours;</p> <p>or</p> <p>arranging it through your own financial institution.</p>
4. Your Obligations	<p>4.1 It is your responsibility to ensure that there are sufficient clear funds available in your account to allow a debit payment to be made in accordance with the direct debit request.</p> <p>4.2 If there are insufficient clear funds in your account to meet a debit payment:</p> <p>a) you may be charged a fee and/or interest by your financial institution;</p> <p>b) you may also incur fees or charges imposed or incurred by us; and</p> <p>c) you must arrange for the debit payment to be made by another method or arrange for sufficient clear funds to be in your account by an agreed time so that we can process the debit payment.</p> <p>4.3 You should check your account statement to verify that the amounts debited from your account are correct</p> <p>4.4 If we are liable to pay goods and services tax ("GST") on a supply made in connection with this agreement, then you agree to pay us on demand an amount equal to the consideration payable for the supply multiplied by the prevailing GST rate.</p>
5. Dispute	<p>5.1 If you believe that there has been an error in debiting your account, you should notify us directly on 1300 133 451 and confirm that notice in writing with us as soon as possible so that we can resolve your query more quickly. Alternatively you can take it up with your financial institution directly.</p> <p>5.2 If we conclude as a result of our investigations that your account has been incorrectly debited we will respond to your query by arranging for your financial institution to adjust your account (including interest and charges) accordingly. We will also notify you in writing of the amount by which your account has been adjusted.</p> <p>5.3 If we conclude as a result of our investigations that your account has not been incorrectly debited we will respond to your query by providing you with reasons and any evidence for this finding in writing.</p>
6. Accounts	<p>6 You should check:</p> <p>a) with your financial institution whether direct debiting is available from your account as direct debiting is not available on all accounts offered by financial institutions; and</p> <p>b) your account details which you have provided to us are correct by checking them against a recent account statement; and</p> <p>c) with your financial institution before completing the direct debit request if you have any queries about how to complete the direct debit request.</p>
7. Confidentiality	<p>7.1 We will keep any information (including your account details) in your direct debit request confidential. We will make reasonable efforts to keep any such information that we have about you secure and to ensure that any of our employees or agents who have access to information about you do not make any unauthorised use, modification, reproduction or disclosure of that information.</p> <p>7.2 We will only disclose information that we have about you:</p> <p>a) to the extent specifically required by law; or</p> <p>b) for the purposes of this agreement (including disclosing information in connection with any query or claim).</p>
8. Notice	<p>8.1 If you wish to notify us in writing about anything relating to this agreement, you should write to</p> <p>FundBPO Pty Ltd GPO Box 4968 Sydney NSW 2001</p> <p>8.2 We will notify you by sending a notice in the ordinary post to the address you have given us in the Direct Debit Request.</p> <p>8.3 Any notice will be deemed to have been received on the third banking day after posting.</p>

Investor Identification

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) requires additional identification information from investors.

EXISTING INVESTORS -	If you are an existing investor and you have already provided the required identification documentation you do not need to re-supply it with this Application Form
NEW INVESTORS -	If you are a financial adviser please ensure that you complete Parts 12 and 13 and, if applicable, provide CERTIFIED COPIES of the identification documentation specified in Part 16 If you are an investor who is NOT using a financial adviser please complete Part 14 and provide CERTIFIED COPIES of the identification documentation specified in Part 16

PART 12. RECORD OF IDENTIFICATION PROCEDURE (FOR FINANCIAL ADVISER USE ONLY)

MY CLIENT'S INVESTOR IDENTIFICATION DOCUMENTATION IS:

NOT ATTACHED

By signing **Part 13** below, I declare that I have completed the AML/CTF identification and verification for this applicant as required by the AML/CTF Act and AML/CTF Rules and I am satisfied that the identity of the applicant is as stated on this Application Form. I have retained a copy of the identification documents obtained and a record of the procedure undertaken to verify the identity of the applicant and I agree to provide a copy of this information upon request to support this declaration.

ATTACHED

Please provide with this application **CERTIFIED COPIES** of the identification documentation specified in **Part 16**

PART 13. FINANCIAL ADVISER DETAILS – IDENTIFICATION AND VERIFICATION CONDUCTED BY:

FINANCIAL ADVISERS NAME	PHONE
AFS LICENSEE NAME	AFS LICENSEE NUMBER
SIGNATURE	DATE DD / MM / YYYY
X	

PART 14. INVESTOR AML /CTF CONFIRMATION (FOR INVESTORS NOT USING A FINANCIAL ADVISER)

I CONFIRM THAT I HAVE PROVIDED **CERTIFIED COPIES** OF THE INVESTOR IDENTIFICATION DOCUMENTS SPECIFIED IN **PART 16**

SIGNATURE	SIGNATURE	SIGNATURE
X	X	X
DATE DD / MM / YYYY	DATE DD / MM / YYYY	DATE DD / MM / YYYY

PART 15. CERTIFICATION OF DOCUMENTS

Part 16 specifies the identification documentation required to be submitted with this application. This documentation must be certified. We suggest that the person certifying the document(s) for you use the following statement on the copy being certified:

"I certify this to be a true copy of [name of document] the original of which, was produced to me at the time of signing."

The document must also be dated, and have the signature, printed name, occupation, employer and address of the person certifying the document. Some persons who may certify copies of the original documents include:

- Officer with or authorised representative by an Australian Financial Services licence holder with 2 or more years of continuous service with one or more licensees
- Chartered Accountant, CPA or member of the National Institute of Accountants with 2 or more years of continuous membership
- Officer or a financial institution or finance company with 2 or more years continuous service with one or more institutions or companies
- Permanent employee of the Australian Postal Corporation with 2 or more years continuous service, or someone who operates as an agent of the Australian Postal Corporation
- Police Office
- Lawyer, magistrate, registrar of a Court

PART 16. INVESTOR IDENTIFICATION DOCUMENTATION

You must attach the following **CERTIFIED** documents to this Application Form. Refer to **Part 15** to find out who can certify identification documentation.

INDIVIDUAL

Section 1 – A CERTIFIED COPY OF ONE OF THE FOLLOWING:

- an Australian driver's licence containing a photograph of the person; or
- an Australian passport; or
- an identification card issued by a state or territory that contains the date of birth and a photograph of the card holder; or
- a foreign government issued passport or similar travel document containing a photograph and signature of the person

IF YOU CANNOT PROVIDE A DOCUMENT LISTED ABOVE, PLEASE PROVIDE A DOCUMENT FROM SECTION 2(a) AND SECTION 2(b) BELOW

Section 2(a) – A CERTIFIED COPY OF ONE OF THE FOLLOWING:

- an Australian birth certificate; or
- an Australian citizenship certificate; or
- a pension card issued by Centrelink; or
- a foreign drivers licence that contains a photograph of the person; or
- a citizenship certificate issued by a foreign government; or
- a birth certificate issued by a foreign government. Where the document is not in English, it must be accompanied by an English translation prepared by an accredited translator.

Section 2(b) – AND ALSO PROVIDE A CERTIFIED COPY OF ONE OF THE FOLLOWING:

- a notice issued by the Commonwealth or a State or Territory within the preceding 12 months that records the provision of financial benefits and contains the individual's name and residential address, or
- a notice issued by the Australian Taxation Office within the preceding 12 months that records a debt payable to or by the person by or to the Commonwealth, or
- a notice issued by local government body or utilities provider within the preceding 3 months that records the provision of services to that address or to that person (the notice must contain the individual's name and residential address).

INDIVIDUAL ACTING IN THE CAPACITY OF A SOLE TRADER

- a certified copy of a business name search, **and**
- verification documents required for an individual (as listed above)

COMPANY (INCLUDING CORPORATE TRUSTEE)

- Australian Companies:
 - If a private (propriety) company:
 - An ASIC Company Extract showing the company name, ACN, registered office address, the names and addresses of the directors and shareholders; or
 - A certified copy of the company's certificate of registration or incorporation issued by ASIC **PLUS** a document setting out the full name and residential address of each director and the full name and residential address of each shareholder who owns, through one or more shareholdings, more than 25% of the company's issued capital.
 - If a public company:
 - An ASIC Company Extract showing the company name, ACN, registered office address, the names and addresses of the directors; or
 - A certified copy of the company's certificate of registration or incorporation issued by ASIC.
- Foreign Companies:
 - If a private (propriety) company:
 - A Company Extract sourced from the relevant foreign registration body showing the company name, identification number issued by the relevant foreign registration body, registered office address, the names and addresses of the directors and shareholders; or
 - A certified copy of the company's certificate of registration or incorporation issued by the relevant foreign registration body **PLUS** a document setting out the full name and residential address of each director and the full name and residential address of each shareholder who owns, through one or more shareholdings, more than 25% of the company's issued capital.
 - If a public company:
 - A Company Extract sourced from the relevant foreign registration body showing the company name, identification number issued by the relevant foreign registration body, registered office address, the names and addresses of the directors; or
 - A certified copy of the company's certificate of registration or incorporation issued by the relevant foreign registration body.

TRUST

For all trusts (including self-managed super funds/ wrap trusts/ master trusts/ IDPS) please provide:

- a certified copy of the trust deed or equivalent document, or
- a certified extract from the Trust Deed or equivalent document that shows the name of the trust, the name(s) of the Trustee(s), the place of establishment of the trust and identity of the beneficiaries.

Please **ALSO** provide the following trustee information:

- if the trustee is an individual, please also provide documentation required for individuals (as listed above) or
- if the trustee is a company, please also provide documentation required for companies (as listed above).

PARTNERSHIP

- a certified copy of the current partnership agreement, or
- a certified copy of a notice (such as a Notice of Assessment) issued by the Australian Taxation Office within the last 12 months.

Please **ALSO** provide:

- the verification documents required for individuals (listed on the previous page) for at least one of the partners

WHERE DO I SEND MY APPLICATION?

COMPLETED APPLICATION FORMS, CHEQUES (WHERE APPLICABLE) AND IDENTIFICATION DOCUMENTATION (WHERE APPLICABLE) SHOULD BE SENT TO:

FundBPO – Unit Registry
GPO Box 4968
Sydney NSW 2001
AUSTRALIA

INVESTOR CHECK LIST

HAVE YOU:

- read the Product Disclosure Statement and Supplementary Combined Financial Services Guide and Product Disclosure Statement?
- completed the Application Form?
- enclosed your cheque or completed your direct debit details in **Part 6** (if applicable)?
- enclosed the certified identification documentation as specified in the Investor Identification Documentation in **Part 16**?

FURTHER ASSISTANCE OR INFORMATION

If you require assistance with completing the application form, please call our fund administrator, FundBPO Pty Ltd, on 1300 133 451 or +61 2 9247 3326 (for overseas callers).

Further information regarding our funds can be accessed on our website: www.magellangroup.com.au



Corporate Directory

Responsible Entity

Magellan Asset Management Limited
Level 1, 1 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 8114 1888
Email: info@magellangroup.com.au
Fax: +61 2 8114 1800

Directors of the Responsible Entity

Hamish Douglass
Chris Mackay
Brett Cairns
Paul Lewis
Naomi Milgrom

Company Secretary

David Simpson

Auditors

KPMG
10 Shelley Street
Sydney NSW 2000

Administrator and Registry

FundBPO Pty Limited
Suite 1, Level 5
51-57 Pitt Street
Sydney NSW 2000

Australian Legal and Tax Adviser

Minter Ellison
Level 19
88 Phillip Street
Sydney NSW 2000

Prime Broker and Custodian

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

New Zealand Legal Adviser

Minter Ellison Rudd Watts
Level 20, Lumley Centre
88 Shortland Street
Auckland

