



**MAGELLAN**  
ASSET MANAGEMENT LIMITED

# Magellan High Conviction Fund

---

## Annual Report

For the year ended 30 June 2023

ABN 20 120 243 491

# Contents

<b>Responsible Entity's Report</b>	<b>3</b>
<b>Auditor's Independence Declaration</b>	<b>7</b>
<b>Financial Statements</b>	
Statement of Profit or Loss and Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
1. Basis of Preparation	12
2. Distributions to Unitholders	14
3. Cash and Cash Equivalents	15
4. Statement of Cash Flows Reconciliation	15
5. Receivables	15
6. Investments and Derivatives	16
7. Payables	17
8. Net Assets Attributable to Unitholders - Liability	17
9. Related Parties	18
10. Capital and Financial Risk Management	20
11. Auditor's Remuneration	22
12. Contingent Assets, Contingent Liabilities and Commitments	22
13. Subsequent Events	22
<b>Directors' Declaration</b>	<b>23</b>
<b>Independent Auditor's Report</b>	<b>24</b>
<b>Corporate Information</b>	<b>26</b>

# Responsible Entity's Report

for the year ended 30 June 2023

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Magellan High Conviction Fund (the "Fund") present their annual report on the Fund for the period ended 30 June 2023.

## 1. Directors

The following persons were Directors of MAM during the period and up to the date of this report:

		Appointed	Resigned
Robert Fraser	Chairman	23 April 2014	
David Dixon	Deputy Chairman and Non-Executive Director <sup>1</sup>	1 November 2022	
John Eales	Non-Executive Director	1 July 2017	
Andrew Formica	Non-Executive Director <sup>2</sup>	26 July 2023	
Colette Garnsey	Non-Executive Director	30 November 2020	
David George	Managing Director and Chief Executive Officer <sup>3</sup>	19 July 2022	
Hamish McLennan	Non-Executive Director	1 March 2016	
Kirsten Morton	Chief Operating Officer and Chief Financial Officer <sup>4</sup>	5 October 2018	3 July 2023
Karen Phin	Non-Executive Director	23 April 2014	20 October 2022

<sup>1</sup> Mr Dixon was appointed Deputy Chairman and Non-Executive Director on 1 November 2022.

<sup>2</sup> Mr Formica was appointed Non-Executive Director on 26 July 2023.

<sup>3</sup> Mr George was appointed Managing Director and Chief Executive Officer on 19 July 2022. Mr George was Chief Investment Officer from 17 October 2022 to 18 August 2023.

<sup>4</sup> Ms Morton resigned as Director on 3 July 2023.

## 2. Principal Activity

The Fund is a registered managed investment scheme, domiciled in Australia, with the principal place of business at Level 36, 25 Martin Place, Sydney, New South Wales 2000. MAM is both the Responsible Entity and the Investment Manager of the Fund.

The Portfolio will typically comprise 10 to 20 investments and is weighted towards MAM's highest conviction ideas, as assessed by the Portfolio Managers. MAM seeks to invest in a focused portfolio of outstanding global companies and seeks to purchase investments when they are trading at a discount to MAM's assessment of their intrinsic value. MAM undertakes extensive fundamental analysis on the individual companies and the industries in which they operate.

While the Fund adopts a largely unhedged approach to foreign currency exposures arising from portfolio investments in foreign markets, the Fund retains the flexibility occasionally to utilise hedging to reduce the impact of foreign currency exposures associated with identified event risks.

The Fund's investment objective is to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy (as detailed in the Product Disclosure Statement ("PDS") issued on 16 December 2022).

## 3. Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Fund during the period.

## 4. Review of Financial Results and Operations

### 4.1. Financial Results for the Period

The performance of the Fund, as represented by the results of its operations for the periods ended 30 June, was as follows:

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Total net investment income/(loss) (\$'000)	57,238	(118,250)
Total expenses (\$'000)	(3,950)	(8,784)
<b>Operating Profit/(Loss) (\$'000)</b>	<b>53,288</b>	<b>(127,034)</b>

# Responsible Entity's Report

for the year ended 30 June 2023

## Distributions

Distributions paid and payable for the periods ended 30 June was as follows:

	Class A Units		Class B Units	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
Distribution paid and payable (\$'000)	6,402	10,328	1,466	4,823
Distribution paid and payable (CPU) <sup>1</sup>	6.07	6.17	3.73	3.76

<sup>1</sup> Cents per unit.

## Unit Price

	Class A Units		Class B Units	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
Unit price (net asset value) (ex-distribution) (\$)	1.9383	1.6316	1.2054	1.0059
Redemption unit price (ex-distribution) (\$)	1.9369	1.6305	1.2046	1.0052

## Distribution Components

Distribution components, which can be found in the 'Our Funds' section of the Magellan Financial Group Limited ("MFG") website, [www.magellangroup.com.au](http://www.magellangroup.com.au), are as follows:

	Class A Units		Class B Units	
	30 Dec 2022 Interim Distribution CPU	30 Jun 2023 Final Distribution CPU	30 Dec 2022 Interim Distribution CPU	30 Jun 2023 Final Distribution CPU
<b>Capital Gains (NTARP)<sup>1</sup></b>				
Discounted	1.5500	3.2965	0.9500	2.0501
AMIT CGT gross up amount	1.5500	3.2965	0.9500	2.0501
<b>Attribution Amount</b>	<b>3.1000</b>	<b>6.5930</b>	<b>1.9000</b>	<b>4.1002</b>
AMIT cost base net increase	-	(3.6230)	-	(2.2702)
<b>Cash Distribution</b>	<b>3.1000</b>	<b>2.9700</b>	<b>1.9000</b>	<b>1.8300</b>

<sup>1</sup> Non-taxable Australian real property.

## 4.2. Total Indirect Cost Ratio

The Total Indirect Cost Ratio ("ICR") is the ratio of the Fund's actual management costs over the average portfolio value expressed as a percentage. Management costs, accrued within the Fund's unit prices on a daily basis, include management and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

	Class A Units		Class B Units	
	30 Jun 2023 %	30 Jun 2022 %	30 Jun 2023 %	30 Jun 2022 %
Management fee	1.50	1.51	0.78	0.78
Performance fee <sup>1</sup>	-	0.09	-	0.26
<b>Total Indirect Cost Ratio</b>	<b>1.50</b>	<b>1.60</b>	<b>0.78</b>	<b>1.04</b>

<sup>1</sup> Performance fees are calculated on six monthly measurement periods ending on 30 June and 31 December of each calendar year. The Performance fee component of the ICR is calculated on an accrual basis for each measurement period.

# Responsible Entity's Report

for the year ended 30 June 2023

## 4.3. Performance Returns

The performance returns shown in the following table have been calculated using redemption unit prices for the Fund, which are after fees and expenses, assuming reinvestment of distributions. The returns are calculated daily, compounded to produce longer period returns.

	Class A Units		Class B Units	
	30 Jun 2023 %	30 Jun 2022 %	30 Jun 2023 %	30 Jun 2022 %
Growth return <sup>1</sup>	18.8	(25.7)	19.8	(25.3)
Distribution return <sup>2</sup>	4.2	2.4	4.2	2.4
<b>Total Return<sup>3</sup></b>	<b>23.0</b>	<b>(23.3)</b>	<b>24.0</b>	<b>(22.9)</b>

<sup>1</sup> The Growth return is calculated daily as a percentage by dividing the unit price (ex-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Growth returns are then compounded to produce longer period returns

<sup>2</sup> The Distribution return is calculated as a percentage by subtracting the Growth return from the Total Return

<sup>3</sup> The Total Return is calculated daily as a percentage by dividing the unit price (cum-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Total Returns are then compounded to produce longer period returns.

## 5. Strategy and Future Outlook

The Fund's investment objective is unchanged. The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Therefore, investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

The Fund provides daily unit prices, monthly fund updates and annual investor reports which can be found in the 'Our Funds' section of the MFG website, [www.magellangroup.com.au](http://www.magellangroup.com.au). Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

## 6. Interests in the Fund

For each unit class of the Fund, the movement in units on issue and the net assets attributable to unitholders are disclosed at Note 8 to the Financial Statements.

## 7. Likely Developments and Expected Results of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the PDS.

The method of operating the Fund is not expected to change in the foreseeable future. However, the results of the Fund's operations may be affected by a number of factors, including the performance of investment markets in which the Fund invests.

## 8. Subsequent Events

On 25 July 2023, it was announced that Mr Andrew Formica was appointed as a Non-Executive Director with effect from 26 July 2023.

On 17 August 2023, it was announced that Mrs Deborah Page AM will be appointed as a Non-Executive Director with effect from 3 October 2023.

Net asset value ("NAV") moves as a result of a number of factors including movements in asset prices, exchange rates and unitholder subscriptions and redemptions. Subsequent to balance date, as at 31 August 2023, the relevant NAV information is as follows:

	Class A Units	Class B Units
NAV per unit (\$)	2.0322	1.2656
Net asset value (\$'000)	183,051	40,626
Units ('000)	90,076	32,101

Other than the above and items disclosed throughout this Responsible Entity's Report, there have been no matters or circumstances arising after the end of the period that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future periods.

# Responsible Entity's Report

for the year ended 30 June 2023

## 9. Indemnification and Insurance of Directors and Officers

The Directors and Officers of the Responsible Entity in office are insured to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in their capacity as Directors and Officers of the Responsible Entity, other than for conduct involving a wilful breach of duty in relation to the Responsible Entity.

During the period, MAM paid an insurance premium to insure the Directors and Officers of the Responsible Entity. The terms of the contract prohibit the disclosure of the premiums paid.

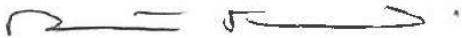
## 10. Rounding of Amounts

The Fund is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and consequently amounts in the Responsible Entity's Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

## 11. Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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



**Robert Fraser**

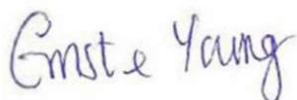
Chairman

Sydney, 4 September 2023

## **Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as Responsible Entity for Magellan High Conviction Fund**

As lead auditor for the audit of the Magellan High Conviction Fund for the financial period ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.



**Ernst & Young**



**Clare Sporle**

Partner

Sydney, 4 September 2023

# Statement of Profit or Loss and Comprehensive Income

for the year ended 30 June 2023

	Note	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Investment Income</b>			
Dividend and distribution income		1,950	3,149
Interest income		293	28
Net change in fair value of investments		54,788	(125,777)
Net gain/(loss) on foreign exchange settlements, derivative contracts and cash		203	4,350
Other income		4	-
<b>Total Net Investment Income/(Loss)</b>		<b>57,238</b>	<b>(118,250)</b>
<b>Expenses</b>			
Management fees	9	3,542	7,271
Performance fees	9	-	791
Transaction costs		136	250
Withholding tax on dividends and distributions		272	472
<b>Total Expenses</b>		<b>3,950</b>	<b>8,784</b>
<b>Operating Profit/(Loss)</b>		<b>53,288</b>	<b>(127,034)</b>
<b>Finance Costs Attributable to Unitholders</b>			
Distributions of income and capital to unitholders	2	(7,868)	(15,151)
(Increase)/decrease in net assets attributable to unitholders	8	(45,420)	142,185
<b>Profit/(Loss)</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income/(Loss)</b>		<b>-</b>	<b>-</b>

The above Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the accompanying Notes to the Financial Statements.



# Statement of Financial Position

as at 30 June 2023

	Note	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	3	4,237	65,112
Receivables	5	3,932	246
Investments	6	221,541	289,477
<b>Total Assets</b>		<b>229,710</b>	<b>354,835</b>
<b>Liabilities</b>			
Distribution payable	2	3,407	6,680
Payables	7	3,565	807
<b>Total Liabilities</b>		<b>6,972</b>	<b>7,487</b>
<b>Net Assets Attributable to Unitholders - Liability</b>	8	<b>222,738</b>	<b>347,348</b>

The above Statement of Financial Position should be read in conjunction with the accompanying Notes to the Financial Statements.

# Statement of Changes in Equity

for the year ended 30 June 2023

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

# Statement of Cash Flows

for the year ended 30 June 2023

	Note	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Cash Flows from Operating Activities</b>			
Dividends and distributions received (net of withholding tax)		1,698	2,673
Interest received		294	13
Other income received		4	-
Management and performance fees paid		(3,594)	(16,061)
Transaction costs paid		(136)	(250)
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	4	<b>(1,734)</b>	<b>(13,625)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of investments		(156,441)	(196,188)
Proceeds from sale of investments		275,824	451,710
Net foreign exchange gain/(loss)		1,395	2,031
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>120,778</b>	<b>257,553</b>
<b>Cash Flows from Financing Activities</b>			
Receipts from issue of units		18,134	88,311
Payments for redemption of units		(187,886)	(280,477)
Distributions paid		(8,659)	(14,668)
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>(178,411)</b>	<b>(206,834)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>			
Cash and cash equivalents at the beginning of the period		65,112	27,049
Effect of exchange rate fluctuations on cash and cash equivalents		(1,508)	969
<b>Cash and Cash Equivalents at the end of the Period</b>	3	<b>4,237</b>	<b>65,112</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Financial Statements.

# Notes to the Financial Statements

for the year ended 30 June 2023

## Overview

The Fund is a registered managed investment scheme under the *Corporations Act 2001*. In accordance with the Fund's Constitution, it commenced on the date that the first unit was issued, on 28 June 2013. The Fund will terminate on the day immediately preceding the 80th anniversary of the Date of Commencement, unless terminated earlier in accordance with the provisions of the Fund's Constitution.

MAM (ABN 31 120 593 946) is the Responsible Entity of the Fund.

This financial report was authorised for issue by the Directors of the Responsible Entity on 4 September 2023. The Directors have the power to amend and reissue this financial report.

The Fund is considered a for-profit unit trust for the purpose of this financial report.

## 1. Basis of Preparation

This general purpose financial report is presented in Australian Dollars and has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards ("AASB") and Interpretations issued by the Australian Accounting Standards Board, other mandatory professional reporting requirements and the Fund's Constitution. The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All material balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss. These fair value assets and liabilities comprise mainly investments that are managed based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. Consequently, the investments that may be realised within 12 months cannot be determined at balance date.

All amounts in the financial statements are rounded to the nearest thousand dollars (\$'000) or in certain cases, the nearest dollar, unless otherwise stated in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

### 1.1. Accounting Policies

The accounting policies adopted in the preparation of this financial report are contained within the notes to which they relate. The policies adopted in the preparation of this financial report are consistent with those of the previous financial period.

The Fund has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective at balance date.

### 1.2. Foreign Currency Translation

The functional and presentation currency of the Fund is the Australian Dollar, as determined in accordance with AASB 121 *The Effects of Changes in Foreign Exchange Rates*. Transactions denominated in foreign currencies are translated into Australian Dollars at the foreign currency exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian Dollars at the foreign currency closing exchange rate at balance date.

Foreign currency exchange differences arising on translation, and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian Dollars at the foreign currency closing exchange rates at the dates that the values were determined. Foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in profit or loss.

### 1.3. Investment Income

#### *Dividend and Distribution Income*

Dividend and distribution income is recognised on the applicable ex-dividend/distribution date gross of withholding tax, which is recorded as an expense in profit or loss. Dividends and distributions received are presented net of withholding tax in the Statement of Cash Flows.

#### *Net Change in Fair Value of Investments*

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of Profit or Loss and Comprehensive Income. The net change in fair value does not include dividend and distribution income.

# Notes to the Financial Statements

for the year ended 30 June 2023

## Interest Income

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

## 1.4. Expenses

All expenses are recognised in profit or loss on an accruals basis.

## 1.5. Income Tax

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") regime was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The AMIT regime allows Managed Investment Trusts that meet certain requirements to make an irrevocable choice to be an AMIT. The Fund elected into the AMIT regime effective 30 June 2018.

Under current income tax legislation, the Fund is not subject to income tax provided the Fund attributes the entirety of its taxable income to unitholders.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in profit or loss. The benefits of foreign withholding tax paid, and of imputation credits attaching to Australian franked dividends, are passed onto unitholders.

## 1.6. Goods and Services Tax

The Goods and Services Tax ("GST") incurred on the costs of various services provided to the Fund by third parties, such as custodial services and management fees, has been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits at a rate of 55%-75% and is also eligible to recover GST on offshore transactions. Management and performance fees and other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position as a receivable or payable. Cash flows are included in the Statement of Cash Flows on a gross basis.

## 1.7. Critical Accounting Estimates and Judgements

The preparation of the Fund's financial statements required the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable. As a result, actual results could differ from those estimates.

Where listed equities have no active market, the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer Note 10). As all investments for the year ended 30 June 2023 were valued with reference to listed quoted prices and the Fund's cash is held at strongly rated financial institutions, the Fund's financial assets and liabilities are not subject to significant judgement or complexity.

# Notes to the Financial Statements

for the year ended 30 June 2023

## 2. Distributions to Unitholders

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's PDS. Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Unrealised gains and losses on financial assets and liabilities that are recognised as income are transferred to net assets attributable to unitholders and are not assessable or distributable until realised. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively. The Responsible Entity may attribute an amount to a unitholder on redemption.

The distribution policy targets a cash distribution yield of 3% per annum, for each unit class, paid semi-annually for the periods ended June and December. The Target Cash Distribution ("TCD") for each period will be determined by using the average of the month-end NAV per unit class over a two year rolling period ending on the last business day of the prior distribution period.

Distributions for the periods ended 30 June are as follows:

	Class A Units		Class B Units		Date Paid
	\$'000	CPU	\$'000	CPU	
<b>Period ended 30 June 2023</b>					
Interim distribution paid	3,617	3.10	844	1.90	18 Jan 2023
Final distribution payable	2,785	2.97	622	1.83	21 Jul 2023
<b>Total Distributions Paid/Payable</b>	<b>6,402</b>	<b>6.07</b>	<b>1,466</b>	<b>3.73</b>	

	Class A Units		Class B Units		Date Paid
	\$'000	CPU	\$'000	CPU	
<b>Period ended 30 June 2022</b>					
Interim distribution paid	5,907	3.02	2,564	1.84	19 Jan 2022
Final distribution payable	4,421	3.15	2,259	1.92	21 Jul 2022
<b>Total Distributions Paid/Payable</b>	<b>10,328</b>	<b>6.17</b>	<b>4,823</b>	<b>3.76</b>	

On 6 July 2023, MAM announced the TCD for the six month period ended 31 December 2023 will be 2.87 CPU for Class A Units and 1.77 CPU for Class B Units.

A distribution payable is recognised in the Statement of Financial Position where the distribution has been declared but remains unpaid at balance date.

### Distribution Reinvestment Plan

The Fund's Distribution Reinvestment Plan ("DRP") was available to eligible unitholders during the period.

Under the terms of the DRP, eligible unitholders are able to elect to reinvest all or part of their cash distributions in additional units in the Fund, free of any brokerage or other transaction costs. Units are issued and/or transferred to DRP participants at a price that is determined by MAM in accordance with the DRP Rules.

DRP details are as follows:

	Class A Units		Class B Units	
	31 Dec 2022 Interim Distribution	30 Jun 2023 Final Distribution	31 Dec 2022 Interim Distribution	30 Jun 2023 Final Distribution
DRP issue price (\$)	1.5899	1.9383	0.9847	1.2054
DRP unitholder participation rate (%)	29.10	30.77	14.13	14.41
Number of units issued under DRP	662,077	442,080	121,003	74,418
Value of units issued under DRP (\$'000)	1,053	857	119	90
DRP issue date	1 Jan 2023	1 Jul 2023	1 Jan 2023	1 Jul 2023

# Notes to the Financial Statements

for the year ended 30 June 2023

## 3. Cash and Cash Equivalents

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Cash at bank denominated in Australian Dollars	1,610	2,973
Cash at bank denominated in foreign currency:		
United States Dollars	2,561	62,090
Canadian Dollars	28	-
British Pounds	20	24
Euro	17	15
Swiss Francs	1	1
Hong Kong Dollars	-	9
<b>Total Cash and Cash Equivalents</b>	<b>4,237</b>	<b>65,112</b>

Cash comprises cash at bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

## 4. Statement of Cash Flows Reconciliation

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Reconciliation of Net Cash Flows from Operating Activities</b>		
Operating Profit/(loss)	53,288	(127,034)
Net change in fair value of investments	(54,788)	125,777
Net gain/(loss) on foreign exchange settlements, derivative contracts and cash	(183)	(4,354)
Net (increase)/decrease in receivables	71	877
Net increase/(decrease) in payables	(122)	(8,891)
<b>Net Cash Inflow/(Outflow) Operating Activities</b>	<b>(1,734)</b>	<b>(13,625)</b>
<b>Non-Cash Investing and Financing Activities</b>		
Distributions reinvested into units in the Fund	2,482	2,801

## 5. Receivables

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Due from brokers - receivable for securities sold	3,637	-
Applications receivable	175	55
Recoverable GST and foreign withholding tax	106	176
Interest receivable	14	15
<b>Total Receivables</b>	<b>3,932</b>	<b>246</b>

Receivables comprise amounts due from brokers for sales of assets and applications for units in the Fund unsettled at balance date, dividends and trust distributions declared but not yet received, and reclaimable taxes. They are recognised and carried at amortised cost using the effective interest rate method and adjusted for changes in foreign exchange rates where applicable. A provision is deducted from receivables for uncollectible amounts based on expected credit losses, if applicable. Expected credit losses are calculated as the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The Fund applies the simplified approach for receivables whereby the loss allowance is based on lifetime expected credit losses at each balance date.

At balance date, the Fund's receivables, excluding recoverable GST, were due within 0 to 30 days (June 2022: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2022: 30 to 90 days). No amounts are impaired or past due at 30 June 2023 or 30 June 2022.

# Notes to the Financial Statements

for the year ended 30 June 2023

## 6. Investments and Derivatives

The Fund classifies its equity securities and derivatives as financial assets and liabilities at fair value through profit or loss.

The Fund discloses the fair value measurements of financial assets and financial liabilities using a three-level fair value hierarchy to reflect the source of valuation inputs used when determining the fair value as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing price for the security as quoted on the relevant exchange.
- Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices). The fair value of derivatives is based on a discounted cash flow analysis using quoted market inputs (spot and forward rates, volatility) adjusted for specific features of the instruments and applied debit and credit valuation adjustments based on the Fund's, or the derivative counterparties' current credit worthiness.
- Level 3: valuation techniques using non-market observable inputs.

The equity securities, including stock exchange domicile, held by the Fund are:

	Domicile	30 Jun 2023 Holding	30 Jun 2022 Holding	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Investments (Level 1)</b>					
Microsoft	United States	45,477	114,265	23,264	42,676
Intercontinental Exchange	United States	123,068	214,975	20,907	29,399
Amazon.com	United States	105,180	210,003	20,598	32,436
Visa - Class A	United States	55,501	128,934	19,801	36,917
Booking Holdings	United States	4,505	-	18,275	-
Yum! Brands	United States	86,646	188,303	18,035	31,083
Lowe's	United States	51,977	-	17,624	-
Alphabet - Class C	United States	85,865	12,796	15,604	40,705
Diageo	United kingdom	238,250	-	15,376	-
Safran	France	51,547	147,050	12,120	21,062
WEC Energy Group	United States	84,266	-	11,170	-
Salesforce.com	United States	31,400	-	9,966	-
Brookfield	United States	189,862	-	9,614	-
Chipotle Mexican Grill	United States	2,859	-	9,187	-
SAP	Germany	-	236,483	-	31,254
Meta Platforms - Class A	United States	-	51,728	-	12,130
Netflix	United States	-	46,462	-	11,815
<b>Total Investments</b>				<b>221,541</b>	<b>289,477</b>

The Fund does not hold any level 2 or level 3 financial assets or liabilities. There have been no transfers between any of the three levels in the hierarchy during the period and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at balance date.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Fund is the transaction price. Brokerage costs are expensed immediately in the profit or loss. Subsequent to initial recognition, all financial assets and liabilities classified at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in profit or loss. The net change in fair value does not include dividend or distribution income.

Purchases and sales are recognised on trade date, being the date the Fund commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership are passed to a third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The fair value of equity securities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Fund is the closing price for the security as quoted on the relevant stock exchange. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation



# Notes to the Financial Statements

for the year ended 30 June 2023

techniques including recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques commonly used by market participants.

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable. Derivatives are included in the Statement of Financial Position as an asset when the fair value at balance date is positive and classified as a liability when the fair value at balance date is negative.

## 7. Payables

	Note	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Redemptions payable		<b>3,285</b>	405
Management fee payable	9	<b>280</b>	402
<b>Total Payables</b>		<b>3,565</b>	807

Payables comprise trade creditors and accrued expenses owing by the Fund at balance date. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables and accruals are recognised at amortised cost, using the effective interest rate method, at the point where the Fund becomes obliged to make payments in respect of the purchase of these goods and services.

At balance date, all payables mature in 0 to 90 days (June 2022: 0 to 90 days).

## 8. Net Assets Attributable to Unitholders - Liability

	Class A Units		Class B Units	
	30 Jun 2023 No. of Units '000	30 Jun 2022 No. of Units '000	30 Jun 2023 No. of Units '000	30 Jun 2022 No. of Units '000
<b>Units on Issue</b>				
Opening balance	<b>140,360</b>	216,012	<b>117,644</b>	151,171
Units issued	<b>5,279</b>	12,975	<b>8,717</b>	46,455
Units issued under DRP	<b>1,380</b>	1,119	<b>258</b>	211
Units redeemed	<b>(53,259)</b>	(89,746)	<b>(92,599)</b>	(80,193)
<b>Units on Issue at end of the Period</b>	<b>93,760</b>	140,360	<b>34,020</b>	117,644

The Fund has two separate classes of units, Class A and Class B. Each unit within the same class has the same rights as all other units within that class and includes:

- the right to redeem units, subject to restrictions disclosed in the Fund's PDS;
- the right to receive a distribution determined in accordance with the provisions of the Fund's Constitution;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Fund.

A unit, regardless of class, does not confer upon the holder any interest in any particular asset or investment of the Fund.

# Notes to the Financial Statements

for the year ended 30 June 2023

	Class A Units		Class B Units	
	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Changes in Net Assets Attributable to Unitholders</b>				
Opening balance	229,016	474,796	118,332	203,684
Applications	9,053	28,073	9,201	60,107
Reinvestment of distributions	2,225	2,511	257	290
Redemptions	(92,071)	(176,834)	(98,695)	(103,094)
Increase/(decrease) in net assets attributable to unitholders	33,506	(99,530)	11,914	(42,655)
<b>Net Assets Attributable to Unitholders at end of the Period</b>	<b>181,729</b>	<b>229,016</b>	<b>41,009</b>	<b>118,332</b>

The units issued by the Fund are classified as a financial liability in the Statement of Financial Position as the Fund has two classes of units that are differentiated by investment minimums, management and performance fees. As a consequence the two classes of units do not have identical features and meet the definition of financial liability under AASB 132 *Financial Instruments: Presentation*.

Fees are segregated between the unit classes so as not to affect the net asset value of the other unit class in the fund. Distributions will also differ for each unit class and are separately reported.

Applications received for units in the Fund are recorded net of entry fees. Redemptions from the Fund are recorded gross of exit fees. A switch from one class to another class in the Fund is recorded at the full amount of the switch as no entry or exit fees are applied within the fund. The Fund recognises the units issued, redeemed or switched when settled, which is the trade date. Changes in net assets attributable to unitholders are recognised in profit or loss.

## 9. Related Parties

### Responsible Entity

The Responsible Entity of the Fund is MAM. MAM is a wholly-owned subsidiary of MFG (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity and both are considered to be related parties of the Fund.

### Key Management Personnel

Key management personnel ("KMP") are those persons or corporate entities who have authority and responsibility for planning, directing and controlling the activities of the Fund. The Responsible Entity is responsible for managing the activities of the Fund and is considered to be a KMP. The Fund does not employ personnel in its own right.

The Directors of MAM are considered to be KMP. The Directors of MAM during the period and up to the date of this report are: Mr David Dixon (appointed 1 November 2022), Mr John Eales, Mr Andrew Formica (appointed 26 July 2023), Mr Robert Fraser, Ms Colette Garnsey, Mr David George (appointed 19 July 2022), Mr Hamish McLennan, Ms Kirsten Morton (resigned 3 July 2023) and Ms Karen Phin (resigned 20 October 2022). The Fund did not pay any compensation to the Directors of the Responsible Entity.

### Responsible Entity Fees

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

#### Management Fees

The Responsible Entity is entitled to receive management fees from the Fund for managing the assets and overseeing the operations of the Fund. Management fees, for each unit class, are calculated monthly based on the Net Asset Value (before fees) of each unit class of the Fund at the end of each month. The management fee for Class A Units is 1.50% per annum and 0.78% for Class B Units (excluding GST). The Responsible Entity pays operating expenses of the Fund, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs. Estimated fees are reflected in the daily unit prices of the Fund and are payable at the end of each month.

#### Performance Fees

Performance fees are calculated on six monthly calculation periods ending on 30 June and 31 December of each year. The Responsible Entity's entitlement to a performance fee is dependent on the Fund exceeding the Absolute Return hurdle over a given calculation period, as well as exceeding the applicable high watermark and an overall cap.

# Notes to the Financial Statements

for the year ended 30 June 2023

The performance fee is 10% of the excess return of Class A Units and 20% of the excess return of Class B Units, above the Absolute Return performance hurdle of 10% per annum. Class B Units' performance fee is subject to an additional cap of 2.22% per annum.

Performance fees crystallise at the end of a calculation period or when units are redeemed, subject to a performance fee entitlement existing at the date of redemption. The estimated daily unit price of the Fund includes a performance fee accrual equal to the amount that would be payable if it were the end of a Calculation Period. Further details of the performance fees can be found in the Fund's PDS.

## Total Management and Performance Fees

The fees paid/payable by the Fund are net of any applicable reduced input tax credits (refer Note 1.6). The management and performance fees paid/payable are as follows:

	Class A Units		Class B Units	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
Management fees	3,032,037	5,953,906	510,227	1,317,588
Performance fees	-	359,777	-	431,225
<b>Total Fees Expensed in the Statement of Profit or Loss and Comprehensive Income</b>	<b>3,032,037</b>	<b>6,313,683</b>	<b>510,227</b>	<b>1,748,813</b>
<b>Total Fees Payable in the Statement of Financial Position</b>	<b>250,564</b>	<b>316,931</b>	<b>29,393</b>	<b>85,218</b>

## Transactions with Related Parties

The number of units held by and transactions with related parties in the Fund during the period, is as follows:

	2022				2023			
	Acquired/ disposed Number <sup>1</sup>	Holding Number	% <sup>2</sup>	Distribution paid/ payable \$ <sup>3</sup>	Acquired/ disposed Number <sup>1</sup>	Holding Number	% <sup>2</sup>	Distribution paid/ payable \$ <sup>3</sup>
<b>MFG</b>								
Class A Units	(3,422,597)	5,307,533	3.8	327,475	-	5,307,533	5.7	322,167
<b>Directors</b>								
Paul Lewis <sup>4</sup>								
Class B Units	11,754	901,468	na	-	-	-	-	-

<sup>1</sup> Includes DRP units allotted.

<sup>2</sup> Percentage of units on issue at the end of the period.

<sup>3</sup> Represents the interim distribution paid and final distribution payable for the period, comprising cash paid and DRP units issued.

<sup>4</sup> Holdings shown at date of resignation, 30 September 2021.

Transactions between the Fund and related parties are subject to the same terms and conditions as those entered into by other unitholders. Unless specified above, no other KMP held units in the Fund.

# Notes to the Financial Statements

for the year ended 30 June 2023

## 10. Capital and Financial Risk Management

### Financial Risk Management

The Fund's investment portfolio primarily comprises listed equity investments. The investment objective of the Fund is to achieve attractive risk-adjusted returns over the medium to long-term, whilst reducing the risk of permanent capital loss, in accordance with its investment strategy (as detailed in the current PDS). The Fund's investing activities expose it to various types of risks including concentration risk, market risk, liquidity risk and credit risk.

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

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

### Concentration Risk

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

The Fund's concentration risk is managed in accordance with the portfolio risk controls for the Fund, which are approved by MAM's Investment Committee.

### Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, foreign exchange rates, and interest rates.

### Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The size and diversification of the portfolio is sufficient to ensure the Fund's returns are not overly correlated to a single company, industry specific or macroeconomic risk, but the returns of the portfolio are not expected to be perfectly correlated to any market or sector index. If equity markets as a whole rise or fall by 5%, the return of the Fund may increase or decrease by different amounts.

For illustrative purposes an increase of 5% in the market price of each of the Fund's investments held at balance date, assuming all other variables remain constant, would have had the following impact on the Fund's net operating profit and unitholders' equity.

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Impact on the net assets attributable to unitholders and net operating profit	11,077	14,474

A decrease of 5% in the market prices of each of the Fund's investments would have had an equal but opposite effect.

### Currency Risk

Currency risk is the risk that the fair value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

Assets and liabilities that the Fund may typically own and that can be affected by foreign exchange rate fluctuations include equities listed on foreign exchanges, cash, forward foreign currency contracts, outstanding broker settlements, and outstanding receipts of income from foreign companies.

The Fund may hedge some or all of the capital component of the foreign currency exposure of the Fund, arising from investments in overseas markets, back to Australian Dollars. However, there is no guarantee that any or all of the Fund will be hedged at any point in time.

# Notes to the Financial Statements

for the year ended 30 June 2023

The Fund's total net exposure to fluctuations in foreign currency exchange rates at balance date is:

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
United States Dollars	187,750	299,165
British Pounds	15,396	24
Euro	12,137	52,331
Canadian Dollars	9,642	-
Swiss Francs	1	1
Hong Kong Dollars	-	9

For illustrative purposes the changes in profit or loss and unitholders' equity that would arise from a 5% increase or decrease in the Australian Dollar relative to each currency to which the Fund is exposed, at balance date are as follows:

	30 Jun 2023		30 Jun 2022	
	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000
United States Dollars	(8,940)	9,882	(14,246)	15,746
British Pounds	(733)	810	(1)	1
Euro	(578)	639	(2,492)	2,754
Canadian Dollars	(459)	507	-	-

## Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The primary exposure to interest rate movements arises on the Fund's cash balances. The value of cash balances is sensitive to the Reserve Bank of Australia and US Federal Reserve cash rate.

Interest rate movements have an insignificant impact upon the Fund's recorded net profit or equity.

## Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities on the due date or will be forced to sell financial assets at a value which is less than they are worth.

This risk is managed by the Fund maintaining sufficient cash reserved to meet its normal operating requirements and holding holds investments that are traded in active markets and can be readily disposed. The majority of the Fund's listed equity securities are considered readily realisable as they are listed on stock exchanges around the world.

In addition, the Fund's Constitution and PDS allow the Responsible Entity to suspend capital withdrawals from the Fund for up to 28 days, at its discretion, if withdrawal requests would require the disposal of 5% or more of the Trust Property of the Fund, the payment of withdrawals would disadvantage remaining unitholders by imposing a disproportionate share of capital gains tax liabilities, or if the Responsible Entity reasonably considers it to be in the interests of remaining unitholders of the Fund.

At balance date, the Fund had an obligation to settle payables (including distribution payable) of \$6,972,000 (June 2022: \$7,487,000) within 30 days. The Fund had cash and receivables totalling \$8,169,000 (June 2022: \$65,358,000) to cover these liabilities.

## Credit Risk

Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial loss to the Fund. Market prices generally take counterparty credit into account and therefore the risk of loss is implicitly provided for in the carrying value of financial assets and liabilities held at fair value.

The Fund's maximum exposure to credit risk is the carrying amount of all cash and cash equivalents, financial assets and receivables recognised in the Statement of Financial Position as well as the value of any financial commitments which the Fund would assume in the event of counterparty default.

# Notes to the Financial Statements

for the year ended 30 June 2023

The Fund minimises concentrations of credit risk by undertaking transactions with numerous reputable brokers, and by ensuring cash balances are held with and managed by financial intermediaries with acceptable credit ratings as determined by a recognised rating agency. To further mitigate this risk, the credit rating and financial positions of the brokers used by the Fund are regularly monitored. Credit risk relating to outstanding settlements is considered low due to the short settlement periods involved.

The Fund is also exposed to the credit risk of The Northern Trust Company ("NT") which is the appointed custodian of the Fund. In acting as custodian, NT is required to comply with the relevant provisions of the *Corporations Act 2001*, applicable ASIC regulatory guides, legislative instruments and class orders relating to registered managed investment scheme property arrangements with custodians. The credit quality of NT's long-term deposit/debt is rated at balance date, by Standard and Poor's as AA- and by Moody's as Aa2 (June 2022: Standard and Poor's as AA- and by Moody's as Aa2).

## 11. Auditor's Remuneration

The following amounts were paid or payable by the Responsible Entity on behalf of the Fund for services provided by the auditor of the Fund, Ernst & Young Australia:

	30 Jun 2023	30 Jun 2022
Fees for audit and review of statutory financial reports	17,010	16,200
Fees for audit related assurance services <sup>1</sup>	1,292	1,279
Fees for other services:		
Taxation compliance services <sup>2</sup>	6,900	6,900
<b>Total Auditor's Remuneration</b>	<b>25,202</b>	<b>24,379</b>
<b>% of non-audit fees paid to auditor</b>	<b>32.5%</b>	<b>33.6%</b>

<sup>1</sup> Comprises review of ICR calculations.

<sup>2</sup> Comprises review of income tax returns and distribution calculations.

### Auditor Tenure

MAM as Responsible Entity has appointed Ernst & Young as auditor. Ernst & Young is the auditor of all Funds where MAM is the Responsible Entity. The external audit was last put out to tender in 2018, which aligned to the auditor's 10 year anniversary, and Ernst & Young was reappointed auditor (where relevant to a Fund that was formed prior to 2018) as it scored highest across all requirements and the Board of the Responsible Entity was satisfied that appropriate safeguards were in place to ensure the required independence of Ernst & Young. Ms Clare Sporle has served as lead audit partner since August 2019. In accordance with the *Corporations Act 2001* the next rotation of the lead audit partner is planned to occur after the completion of the 30 June 2024 financial year audit.

## 12. Contingent Assets, Contingent Liabilities and Commitments

At balance date, the Fund has no contingent assets, contingent liabilities or commitments (June 2022: nil).

## 13. Subsequent Events

On 25 July 2023, it was announced that Mr Andrew Formica was appointed as a Non-Executive Director with effect from 26 July 2023.

On 17 August 2023, it was announced that Mrs Deborah Page AM will be appointed as a Non-Executive Director with effect from 3 October 2023.

NAV moves as a result of a number of factors including movements in asset prices, distributions, exchange rates and unitholder subscriptions and redemptions. Subsequent to balance date, as at 31 August 2023, the relevant NAV information is as follows:

	Class A Units	Class B Units
NAV per unit (\$)	2.0322	1.2656
Net asset value (\$'000)	183,051	40,626
Units ('000)	90,076	32,101

Other than the above and items disclosed throughout this financial report, there have been no matters or circumstances arising after the end of the period that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future financial periods.

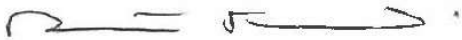
# Directors' Declaration

for the year ended 30 June 2023

In the Directors' opinion,

- a. the Financial Statements and Notes set out on pages 8 to 22 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the financial position of the Fund as at 30 June 2023 and of its performance as represented by the results of its operations and cash flows for the period ended on that date; and
  - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- b. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



**Robert Fraser**  
Chairman

Sydney, 4 September 2023

## Independent auditor's report to the unitholders of Magellan High Conviction Fund

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Magellan High Conviction Fund (the Fund), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Information other than the financial report and auditor's report

The directors of the Fund are responsible for the other information. The other information comprises the information included in Fund's 2023 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the directors for the financial report

The directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.



### Auditor's responsibilities for the audit of the financial report

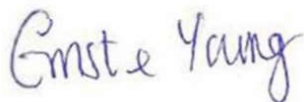
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



**Ernst & Young**



**Clare Sporle**

Partner

Sydney, 4 September 2023

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Corporate Information

## Directors

Robert Fraser - Chairman  
David Dixon - Deputy Chairman  
John Eales AM  
Andrew Formica  
Colette Garnsey OAM  
David George - Managing Director and Chief Executive Officer  
Hamish McLennan

## Company Secretary of the Responsible Entity

Marcia Venegas

## Registered Office

Level 36, 25 Martin Place  
Sydney NSW 2000  
Telephone: 1800 6243 5526 (Australia), +61 2 9235 4888 (International)  
Fax: +61 2 9235 4800  
Email: [info@magellangroup.com.au](mailto:info@magellangroup.com.au)

## Website

<http://www.magellangroup.com.au>

## Auditor

Ernst & Young  
200 George Street  
Sydney NSW 2000

## Unit Registrar

Apex Fund Services  
Level 10/12 Shelly Street  
Sydney NSW 2000  
Telephone: 1300 127 780 (Australia), +61 2 8259 8566 (International), 0800 787 621 (New Zealand)  
Fax: +61 2 9247 2822  
Email: [magellanfunds@apexgroup.com](mailto:magellanfunds@apexgroup.com)