



# Magellan Global Fund (Hedged), Magellan Infrastructure Fund, Magellan Infrastructure Fund (Unhedged)

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## Annual Reports

For the year ended 30 June 2023

Magellan Global Fund (Hedged): ABN 72 263 210 345

Magellan Infrastructure Fund: ABN 64 144 747 279

Magellan Infrastructure Fund (Unhedged): ABN 79 874 701 620

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# Responsible Entity's Report

for the year ended 30 June 2023

The Directors of Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946), the Responsible Entity of Magellan Global Fund (Hedged) ("MGFH"), Magellan Infrastructure Fund ("MIF") and Magellan Infrastructure Fund (Unhedged) ("MIFU"), (collectively "the Funds") present their annual reports on the Funds 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 Funds are registered managed investment schemes 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 Funds.

The primary objectives of MGPH are to achieve attractive risk-adjusted returns over the medium to long-term, while reducing the risk of permanent capital loss. MGPH offers investors an opportunity to invest in a specialised and focused global equity fund. The aim is to invest in companies that have sustainable competitive advantages which translate into returns on capital in excess of their cost of capital for a sustained period of time. MGPH endeavours to acquire these companies at discounts to their assessed intrinsic value. MGPH's portfolio comprises 20 to 40 investments and believes such a portfolio will achieve sufficient diversification to ensure that MGPH is not overly correlated to a single company, or to industry specific or macroeconomic risks. MGPH's intention is to hedge substantially the capital component of the foreign currency exposure of MGPH arising from investments in overseas markets back to Australian Dollars.

MIF offers investors an opportunity to invest in a specialised and focused global infrastructure fund. MIF's investment universe is any entity listed on a global stock exchange whose primary business is the ownership and operation of infrastructure assets. The primary objectives of MIF are to achieve attractive risk-adjusted returns over the medium to long-term, while reducing the risk of permanent capital loss. MIF invests in companies that generate the dominant part of their earnings from the ownership of infrastructure assets and endeavours to acquire these companies at discounts to their assessed intrinsic value. MIF's portfolio comprises 20 to 40 investments and MAM believes such a portfolio will achieve sufficient diversification to ensure MIF is not overly correlated to a single company or to macroeconomic risks. MIF's intention is to hedge substantially the capital component of the foreign currency exposure of the fund arising from investments in overseas markets back to Australian Dollars.

# Responsible Entity's Report

for the year ended 30 June 2023

MIFU has the same investment strategy as MIF, except that the capital component of the foreign currency exposure, arising from investment in overseas markets, is substantially unhedged.

The investment strategies of the Funds are detailed in the Product Disclosure Statements ("PDSs"), issued 16 December 2022.

## 3. Significant Changes in State of Affairs

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

## 4. Review of Operations

### 4.1. Financial Results for the Period

The performance of the Funds, as represented by the results of their operations for the periods ended 30 June were as follows:

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
<b>Results</b>						
Total net investment income/(loss) (\$'000)	<b>83,309</b>	(187,808)	<b>(2,434)</b>	226,588	<b>59,227</b>	136,764
Total expenses (\$'000)	<b>(10,678)</b>	(20,974)	<b>(36,155)</b>	(46,918)	<b>(16,209)</b>	(19,218)
<b>Profit/(Loss) (\$'000)</b>	<b>72,631</b>	(208,782)	<b>(38,589)</b>	179,670	<b>43,018</b>	117,546
<b>Distributions</b>						
Distribution paid and payable (\$'000)	<b>25,636</b>	45,179	<b>93,183</b>	108,710	<b>38,433</b>	45,868
Distribution paid and payable (CPU) <sup>1</sup>	<b>7.2500</b>	7.2400	<b>5.2800</b>	5.2600	<b>7.2000</b>	7.2800
<b>Unit Price</b>						
Unit price (net asset value) (ex-distribution) (\$)	<b>1.6528</b>	1.5257	<b>1.2553</b>	1.3284	<b>1.8620</b>	1.8530
Redemption unit price (ex-distribution) (\$)	<b>1.6516</b>	1.5246	<b>1.2534</b>	1.3264	<b>1.8592</b>	1.8502

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

# Responsible Entity's Report

for the year ended 30 June 2023

## Distribution Components

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

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2022 Interim Distribution CPU	30 Jun 2023 Final Distribution CPU	31 Dec 2022 Interim Distribution CPU	30 Jun 2023 Final Distribution CPU	31 Dec 2022 Interim Distribution CPU	30 Jun 2023 Final Distribution CPU
<b>Domestic Income</b>						
Interest	-	-	-	-	0.0184	0.0504
Franked dividends	-	-	-	-	-	0.0063
Franking credits	-	-	-	-	0.0050	0.0044
Other income	-	-	-	-	0.0141	0.0213
Other domestic income - NCMI	-	-	-	-	0.0220	-
<b>Foreign Sourced Income</b>	-	-	-	-	1.0464	3.2296
Foreign income tax offsets	-	-	-	-	0.3116	0.4238
<b>Capital Gains (NTARP)<sup>1</sup></b>						
Discounted	-	-	1.2060	0.6623	2.6324	3.4500
Other	-	-	-	-	0.7744	0.8628
AMIT CGT gross up amount	-	-	1.2060	0.6623	2.6324	3.4500
Other non-attributable amounts (tax deferred amounts)	3.6900	3.5600	0.2180	1.3254	-	-
<b>Attribution Amount</b>	<b>3.6900</b>	<b>3.5600</b>	<b>2.6300</b>	<b>2.6500</b>	<b>7.4567</b>	<b>11.4986</b>
AMIT cost base net increase <sup>2</sup>	-	-	-	-	(3.5701)	(7.4404)
<b>Tax Offsets</b>						
Franking credits	-	-	-	-	(0.0050)	(0.0044)
Foreign income tax offsets	-	-	-	-	(0.3116)	(0.4238)
<b>Cash Distribution</b>	<b>3.6900</b>	<b>3.5600</b>	<b>2.6300</b>	<b>2.6500</b>	<b>3.5700</b>	<b>3.6300</b>

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

<sup>2</sup> Under the AMIT rules, where income attributed to an investor is more than the cash distribution paid, the tax cost base of the investor's units will increase by a corresponding amount.

# Responsible Entity's Report

for the year ended 30 June 2023

## 4.2. Total Indirect Cost Ratio

The Total Indirect Cost Ratio ("ICR") is the ratio of the Funds' actual management costs over the average portfolio values expressed as a percentage. Management costs, accrued within the Funds' 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.

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023 %	30 Jun 2022 %	30 Jun 2023 %	30 Jun 2022 %	30 Jun 2023 %	30 Jun 2022 %
Management fee	<b>1.35</b>	1.35	<b>1.06</b>	1.06	<b>1.05</b>	1.06
Performance fee <sup>1</sup>	<b>0.02</b>	-	-	0.19	<b>0.06</b>	0.17
<b>Total Indirect Cost Ratio</b>	<b>1.37</b>	1.35	<b>1.06</b>	1.25	<b>1.11</b>	1.23

<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 fees component of the ICR is calculated on an accrual basis for each measurement period.

## 4.3. Performance Returns

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

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023 %	30 Jun 2022 %	30 Jun 2023 %	30 Jun 2022 %	30 Jun 2023 %	30 Jun 2022 %
Growth return <sup>1</sup>	<b>8.3</b>	(21.5)	<b>(5.5)</b>	2.6	<b>0.5</b>	6.5
Distribution return <sup>2</sup>	<b>5.1</b>	3.3	<b>4.0</b>	4.0	<b>4.0</b>	4.2
<b>Total Return<sup>3</sup></b>	<b>13.4</b>	(18.2)	<b>(1.5)</b>	6.6	<b>4.5</b>	10.7

<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.

# Responsible Entity's Report

for the year ended 30 June 2023

## 5. Strategy and Future Outlook

The Funds' investment objectives are unchanged. The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. 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 Funds provide daily unit prices, monthly fund updates and annual investor reports 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). Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

## 6. Interest in the Funds

The movements in units on issue of the Funds are disclosed in Note 8 to the Financial Statements.

## 7. Likely Developments and Expected Results of Operations

The Funds will continue to invest in companies and businesses in accordance with the investment strategy as set out in their PDSs.

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

## 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:

	Magellan Global Fund (Hedged)	Magellan Infrastructure Fund	Magellan Infrastructure Fund (Unhedged)
NAV per unit (\$)	1.6418	1.1979	1.8194
Net asset value (\$'000)	469,892	1,928,371	888,310
Units ('000)	286,202	1,609,857	488,253

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 Funds' operations, the results of those operations, or the Funds' state of affairs in future financial 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.

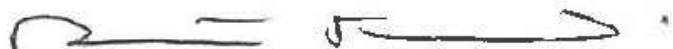
## 10. Rounding of Amounts

The Funds are 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 9.

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



**Robert Fraser**  
Chairman

Sydney, 4 September 2023





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## **Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as the Responsible Entity of Magellan Global Fund (Hedged), Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged), (the Funds)**

As lead auditor for the audit of the Funds for the financial periods 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

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# Statements of Profit or Loss and Comprehensive Income

for the year ended 30 June 2023

	Note	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Investment Income</b>							
Dividend and distribution income		9,332	17,505	86,203	90,139	37,537	37,574
Interest income		872	48	2,499	174	1,208	31
Net change in fair value of investments		73,193	(204,929)	(91,219)	135,932	18,391	94,950
Net gains/(losses) on foreign exchange settlements, derivative contracts and cash		(343)	(478)	(72)	67	2,018	4,093
Other income		255	46	155	276	73	116
<b>Total Net Investment Income/(Loss)</b>		<b>83,309</b>	<b>(187,808)</b>	<b>(2,434)</b>	<b>226,588</b>	<b>59,227</b>	<b>136,764</b>
<b>Expenses</b>							
Management fees	9	8,431	17,857	25,569	30,165	11,070	12,532
Performance fees	9	98	13	18	5,526	598	1,993
Transaction costs		159	709	1,185	1,477	460	607
Withholding tax on dividends and distributions		1,990	2,395	9,383	9,750	4,081	4,086
<b>Total Expenses</b>		<b>10,678</b>	<b>20,974</b>	<b>36,155</b>	<b>46,918</b>	<b>16,209</b>	<b>19,218</b>
<b>Profit/(Loss)</b>		<b>72,631</b>	<b>(208,782)</b>	<b>(38,589)</b>	<b>179,670</b>	<b>43,018</b>	<b>117,546</b>
Other comprehensive income		-	-	-	-	-	-
<b>Total Comprehensive Income/(Loss)</b>		<b>72,631</b>	<b>(208,782)</b>	<b>(38,589)</b>	<b>179,670</b>	<b>43,018</b>	<b>117,546</b>

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

# Statements of Financial Position

as at 30 June 2023

	Note	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Assets</b>							
Cash and cash equivalents	3	35,530	66,984	72,206	142,568	30,253	57,110
Receivables	5	3,582	6,891	33,178	25,198	7,985	8,801
Derivative assets	6	268	2,376	219	6,015	-	-
Investments	6	491,866	729,151	2,062,472	2,606,987	927,447	1,106,413
<b>Total Assets</b>		<b>531,246</b>	805,402	<b>2,168,075</b>	2,780,768	<b>965,685</b>	1,172,324
<b>Liabilities</b>							
Distributions payable	2	10,961	18,438	43,826	52,459	18,405	22,223
Payables	7	2,897	4,361	6,921	6,442	3,068	2,964
Derivative liabilities	6	8,471	18,132	41,287	41,606	-	-
<b>Total Liabilities</b>		<b>22,329</b>	40,931	<b>92,034</b>	100,507	<b>21,473</b>	25,187
<b>Total Unitholders' Equity</b>		<b>508,917</b>	764,471	<b>2,076,041</b>	2,680,261	<b>944,212</b>	1,147,137

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

# Statements of Changes in Equity

for the year ended 30 June 2023

	Note	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Unitholders' Equity at beginning of the Period</b>		<b>764,471</b>	1,646,488	<b>2,680,261</b>	2,711,132	<b>1,147,137</b>	1,068,337
<b>Transactions with Unitholders in their Capacity as Owners:</b>							
Issue of units		<b>75,619</b>	204,830	<b>373,223</b>	604,558	<b>100,287</b>	250,793
Issue of units under Distribution Reinvestment Plan and management fee rebates		<b>1,823</b>	2,603	<b>7,873</b>	11,849	<b>3,758</b>	4,040
Units redeemed		<b>(379,991)</b>	(835,489)	<b>(853,544)</b>	(718,238)	<b>(311,555)</b>	(247,711)
Distributions paid and payable	2	<b>(25,636)</b>	(45,179)	<b>(93,183)</b>	(108,710)	<b>(38,433)</b>	(45,868)
<b>Total Transactions with Unitholders</b>		<b>(328,185)</b>	(673,235)	<b>(565,631)</b>	(210,541)	<b>(245,943)</b>	(38,746)
Profit/(loss)		<b>72,631</b>	(208,782)	<b>(38,589)</b>	179,670	<b>43,018</b>	117,546
Other comprehensive income		-	-	-	-	-	-
Total Comprehensive Income/(Loss)		<b>72,631</b>	(208,782)	<b>(38,589)</b>	179,670	<b>43,018</b>	117,546
<b>Total Unitholders' Equity at the end of the Period</b>		<b>508,917</b>	764,471	<b>2,076,041</b>	2,680,261	<b>944,212</b>	1,147,137

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

# Statements of Cash Flows

for the year ended 30 June 2023

	Note	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Cash Flows from Operating Activities</b>							
Dividends and distributions received (net of withholding tax)		8,217	14,523	78,421	78,315	33,884	32,079
Interest received		823	17	2,397	144	1,126	13
Other income received		255	46	155	276	73	116
Management and performance fees paid		(8,479)	(18,473)	(25,578)	(34,941)	(10,234)	(13,574)
Transaction costs paid		(159)	(709)	(1,185)	(1,477)	(460)	(607)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	4	<b>657</b>	<b>(4,596)</b>	<b>54,210</b>	<b>42,317</b>	<b>24,389</b>	<b>18,027</b>
<b>Cash Flows from Investing Activities</b>							
Purchase of investments		(251,065)	(386,307)	(631,181)	(754,342)	(235,737)	(317,138)
Proceeds from sale of investments		599,424	1,149,752	1,204,948	1,086,733	433,967	351,542
Net foreign exchange gain/(loss)		120	2,439	(285)	1,348	3,202	3,503
Net cash flows from settlement of forward foreign currency contracts		(44,752)	(107,468)	(125,416)	(118,462)	-	-
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>303,727</b>	<b>658,416</b>	<b>448,066</b>	<b>215,277</b>	<b>201,432</b>	<b>37,907</b>
<b>Cash Flows from Financing Activities</b>							
Receipts from issue of units		75,744	205,309	374,098	605,924	100,349	251,061
Payments for redemption of units		(380,248)	(834,150)	(852,493)	(717,772)	(311,901)	(246,921)
Distributions paid		(31,386)	(53,330)	(94,287)	(101,954)	(39,512)	(43,832)
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>(335,890)</b>	<b>(682,171)</b>	<b>(572,682)</b>	<b>(213,802)</b>	<b>(251,064)</b>	<b>(39,692)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>							
Cash and cash equivalents at the beginning of period		66,984	95,248	142,568	98,800	57,110	40,157
Effect of exchange rate fluctuations on cash and cash equivalents		52	87	44	(24)	(1,614)	711
<b>Cash and Cash Equivalents at end of Period</b>	3	<b>35,530</b>	<b>66,984</b>	<b>72,206</b>	<b>142,568</b>	<b>30,253</b>	<b>57,110</b>

The above Statements 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

These annual financial reports are for the Funds, as individual entities, for the period ended 30 June 2023.

The Funds are registered managed investment schemes under the *Corporations Act 2001*. In accordance with the Funds' Constitutions, they commenced on the date that their first units were issued, which is set out as follows:

	Date of Commencement
Magellan Global Fund (Hedged)	28 June 2013
Magellan Infrastructure Fund	1 July 2007
Magellan Infrastructure Fund (Unhedged)	28 June 2013

The Funds terminate on the day immediately preceding the 80<sup>th</sup> anniversary of their Date of Commencement, unless terminated earlier in accordance with the provisions of each Fund's Constitution.

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

The financial reports were authorised for issue by the Directors of the Responsible Entity on 4 September 2023. The Directors have the power to amend and reissue the financial reports.

The Funds are considered for-profit unit trusts for the purpose of these annual financial reports.

### 1. Basis of Preparation

These general purpose financial reports are presented in Australian Dollars and have 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 Funds' Constitutions. They also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Statements of Financial Position are 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*.

# Notes to the Financial Statements

for the year ended 30 June 2023

## 1.1. Accounting Policies

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

The Funds have 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 Funds 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 Statements 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 Statements of Profit or Loss and Comprehensive Income. The net change in fair value does not include dividend and distribution income.

### *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.

# Notes to the Financial Statements

for the year ended 30 June 2023

## 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 Funds elected into the AMIT regime effective 30 June 2018.

Under current income tax legislation, the Funds are not subject to income tax provided they attribute the entirety of their taxable income to unitholders.

The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the 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 Funds by third parties, such as custodial services and management fees, has been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits at a rate of 55%-75% and are 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 Statements of Financial Position as a receivable or payable. Cash flows are included in the Statements of Cash Flows on a gross basis.

## 1.7. Critical Accounting Estimates and Judgements

The preparation of the Funds' Financial Statements requires 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 most investments for the year ended 30 June 2023 are valued with reference to the listed quoted prices and the Funds' cash is held with strongly rated financial institutions, the Funds' financial assets and liabilities are not subject to significant judgement or complexity.

## 1.8. Including Different Registered Scheme Financial Reports in a Single Document

The Funds have applied *ASIC Corporations (Related Scheme Reports) Instrument 2015/839*, which allows registered schemes with a common Responsible Entity to include their financial statements in adjacent columns in a single financial report.



# Notes to the Financial Statements

for the year ended 30 June 2023

## 2. Distributions to Unitholders

Distributions are determined by the Responsible Entity of the Funds and are payable as set out in the Funds' PDSs. 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 unitholders' equity 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 Funds intend to target a cash distribution yield of 4% per annum, 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 over a two year rolling period ending on the last business day of the prior distribution period.

Distributions to unitholders are recognised directly in equity and presented in the Statements of Changes in Equity. A distribution payable is recognised in the Statements of Financial Position where the distribution has been declared but remains unpaid at balance date. Distributions for the period ended 30 June are as follows:

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)		Date Paid
	\$'000	CPU	\$'000	CPU	\$'000	CPU	
<b>Period ended 30 June 2023</b>							
Interim distribution paid	14,675	3.690	49,357	2.630	20,028	3.570	18 Jan 2023
Final distribution payable	10,961	3.560	43,826	2.650	18,405	3.630	21 Jul 2023
<b>Total Distributions Paid/Payable</b>	<b>25,636</b>	<b>7.250</b>	<b>93,183</b>	<b>5.280</b>	<b>38,433</b>	<b>7.200</b>	

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)		Date Paid
	\$'000	CPU	\$'000	CPU	\$'000	CPU	
<b>Period ended 30 June 2022</b>							
Interim distribution paid	26,741	3.560	56,251	2.660	23,645	3.690	19 Jan 2022
Final distribution payable	18,438	3.680	52,459	2.600	22,223	3.590	21 Jul 2022
<b>Total Distributions Paid/Payable</b>	<b>45,179</b>	<b>7.240</b>	<b>108,710</b>	<b>5.260</b>	<b>45,868</b>	<b>7.280</b>	

# Notes to the Financial Statements

for the year ended 30 June 2023

In addition to the distributions paid for the period, the Funds passed on tax credits to unitholders as follows:

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	CPU	CPU	CPU	CPU	CPU	CPU
Franking credits	-	-	-	0.0063	<b>0.0094</b>	0.0456
Foreign income tax offsets	-	-	-	-	<b>0.7354</b>	0.6390
<b>Total Tax Credits Passed to Unitholders</b>	-	-	-	0.0063	<b>0.7448</b>	0.6846

On 6 July 2023, MAM announced the TCD for each fund for the six month period ended 31 December 2023 will be:

- MGFH: 3.42 CPU,
- MIF: 2.66 CPU, and
- MIFU: 3.73 CPU.

Distributions payable are recognised in the Statements of Financial Position where the distributions have been declared but remain unpaid at balance date.

## Distribution Reinvestment Plan

A Distribution Reinvestment Plan ("DRP") operated in each Fund during the current period. Unitholders may request their distributions to be applied as subscriptions for additional units in the respective Fund at the Issue Price (as defined in the Funds' Constitutions). DRP details are as follows:

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023
	Interim Distribution	Final Distribution	Interim Distribution	Final Distribution	Interim Distribution	Final Distribution
DRP issue price (\$)	<b>1.4764</b>	<b>1.6528</b>	<b>1.2527</b>	<b>1.2553</b>	<b>1.7954</b>	<b>1.8620</b>
DRP unitholder participation rate (%)	<b>5.41</b>	<b>6.11</b>	<b>5.69</b>	<b>5.98</b>	<b>6.27</b>	<b>6.53</b>
Number of units issued under DRP	<b>537,187</b>	<b>405,316</b>	<b>2,242,407</b>	<b>2,087,635</b>	<b>698,842</b>	<b>645,434</b>
Value of units issued under DRP (\$'000)	<b>793</b>	<b>670</b>	<b>2,809</b>	<b>2,621</b>	<b>1,255</b>	<b>1,202</b>
DRP issue date	<b>1 Jan 2023</b>	<b>1 Jul 2023</b>	<b>1 Jan 2023</b>	<b>1 Jul 2023</b>	<b>1 Jan 2023</b>	<b>1 Jul 2023</b>

# Notes to the Financial Statements

for the year ended 30 June 2023

## 3. Cash and Cash Equivalents

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Cash at bank - denominated in Australian Dollars	<b>34,697</b>	65,601	<b>68,038</b>	137,871	<b>4,906</b>	3,368
Cash at bank - denominated in foreign currency:						
United States Dollars	<b>728</b>	1,326	<b>4,015</b>	4,541	<b>25,230</b>	53,601
British Pounds	<b>20</b>	19	<b>40</b>	35	<b>38</b>	35
Euro	<b>18</b>	13	<b>16</b>	31	<b>16</b>	31
Swiss Francs	<b>17</b>	16	<b>36</b>	30	<b>21</b>	32
Canadian Dollars	<b>40</b>	-	<b>23</b>	23	<b>23</b>	23
New Zealand Dollars	-	-	<b>19</b>	18	<b>19</b>	20
Hong Kong Dollars	<b>10</b>	9	<b>19</b>	19	-	-
<b>Total Cash and Cash Equivalents</b>	<b>35,530</b>	66,984	<b>72,206</b>	142,568	<b>30,253</b>	57,110

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.

# Notes to the Financial Statements

for the year ended 30 June 2023

## 4. Statement of Cash Flows Reconciliation

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Reconciliation of Cash Flows from Operating Activities</b>						
Profit/(loss)	72,631	(208,782)	(38,589)	179,670	43,018	117,546
Net change in fair value of investments	(73,193)	204,929	91,219	(135,932)	(18,391)	(94,950)
Net (gain)/loss on foreign exchange settlements, derivative contracts and cash	410	488	100	154	(2,010)	(4,007)
Fee rebates reinvested into units in the Funds	102	160	368	838	968	929
Net (increase)/decrease in receivables and other assets	930	(302)	1,690	(2,379)	353	(1,566)
Net increase/(decrease) in payables and other liabilities	(223)	(1,089)	(578)	(34)	451	75
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>657</b>	<b>(4,596)</b>	<b>54,210</b>	<b>42,317</b>	<b>24,389</b>	<b>18,027</b>
<b>Non-Cash Investing and Financing Activities</b>						
Fee rebates reinvested into units in the Funds	102	160	368	838	968	929
Distributions reinvested into units in the Funds	1,727	2,450	7,529	11,027	2,739	3,103

# Notes to the Financial Statements

for the year ended 30 June 2023

## 5. Receivables

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Dividend and distribution receivable	48	270	15,037	16,574	6,710	7,097
Due from brokers - receivable for securities sold	1,918	4,166	15,475	4,886	-	458
Recoverable GST and foreign withholding tax	1,497	2,253	1,783	2,058	787	829
Applications receivable	39	171	751	1,650	388	399
Interest receivable	80	31	132	30	100	18
<b>Total Receivables</b>	<b>3,582</b>	<b>6,891</b>	<b>33,178</b>	<b>25,198</b>	<b>7,985</b>	<b>8,801</b>

Receivables comprise amounts due from brokers for sales of assets and applications for units in the Funds 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 relevant fund expects to receive, discounted at an approximation of the original effective interest rate. The Funds apply the simplified approach for receivables whereby the loss allowance is based on lifetime expected credit losses at each balance date.

At balance date, the Funds' receivables, excluding recoverable GST and foreign withholding tax, 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). Foreign withholding tax is due within 2 to 10 years depending on the jurisdiction (June 2022: 2 to 10 years). No amounts are impaired or past due at 30 June 2023 or 30 June 2022.

## 6. Investments and Derivatives

The Funds classify their equity securities, derivative assets and derivative liabilities as financial assets and liabilities at fair value through profit or loss.

The Funds disclose 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 Funds' counterparties' current credit worthiness.
- Level 3: valuation techniques using non-market observable inputs.

# Notes to the Financial Statements

for the year ended 30 June 2023

## Details of Investments and Derivatives

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Investments (Level 1)</b>						
Australian listed equity securities	-	-	245,192	326,040	110,038	139,283
International listed equity securities:						
United States	338,453	509,416	845,695	1,283,419	380,134	543,963
United Kingdom	26,532	67,674	269,369	283,789	122,579	120,423
France	30,851	30,922	212,273	230,240	95,195	97,576
Spain	-	13,113	281,341	197,668	127,471	84,274
Italy	-	-	77,303	175,306	33,474	74,453
Canada	15,076	-	59,731	66,236	26,971	27,766
Switzerland	28,344	62,256	27,872	-	12,426	-
Netherlands	21,266	24,037	43,696	18,974	19,159	7,910
Germany	21,258	21,733	-	-	-	-
New Zealand	-	-	-	25,315	-	10,765
Hong Kong	10,086	-	-	-	-	-
<b>Total Investments</b>	<b>491,866</b>	<b>729,151</b>	<b>2,062,472</b>	<b>2,606,987</b>	<b>927,447</b>	<b>1,106,413</b>
<b>Derivative Assets (Level 2)</b>						
Forward foreign currency contracts	268	2,376	219	6,015	-	-
<b>Total Derivative Assets</b>	<b>268</b>	<b>2,376</b>	<b>219</b>	<b>6,015</b>	<b>-</b>	<b>-</b>
<b>Derivative Liabilities (Level 2)</b>						
Forward foreign currency contracts	8,471	18,132	41,287	41,606	-	-
<b>Total Derivative Liabilities</b>	<b>8,471</b>	<b>18,132</b>	<b>41,287</b>	<b>41,606</b>	<b>-</b>	<b>-</b>

The Funds do not hold any level 3 assets. There have been no transfers between any of the three levels in the hierarchy during the period and the Funds' policies are 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 Funds is the transaction price. Brokerage costs are expensed immediately in 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.

# Notes to the Financial Statements

for the year ended 30 June 2023

Purchases and sales are recognised on trade date, being the date the Funds commit 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 Funds 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 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 Statements 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	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Redemptions payable		<b>2,110</b>	2,367	<b>4,897</b>	3,846	<b>1,505</b>	1,851
Management fees payable	9	<b>637</b>	958	<b>2,016</b>	2,596	<b>915</b>	1,112
Performance fees payable	9	<b>98</b>	-	<b>1</b>	-	<b>648</b>	-
Due to brokers - payable for securities purchases		<b>52</b>	1,036	<b>7</b>	-	<b>-</b>	1
<b>Total Payables</b>		<b>2,897</b>	4,361	<b>6,921</b>	6,442	<b>3,068</b>	2,964

Payables comprise trade creditors and accrued expenses owing by the Funds 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 at the point where the Funds become 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).

# Notes to the Financial Statements

for the year ended 30 June 2023

## 8. Unitholders' Equity

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	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	30 Jun 2023 No. of Units '000	30 Jun 2022 No. of Units '000
<b>Units on Issue</b>						
Opening balance	501,041	846,624	2,017,641	2,093,372	619,039	614,505
Units issued	48,274	107,112	285,908	445,969	53,782	135,803
Units issued under DRP and management fee rebates	1,216	1,334	6,078	8,723	2,020	2,205
Units redeemed	(242,630)	(454,029)	(655,803)	(530,423)	(167,807)	(133,474)
<b>Units on Issue at the end of the Period</b>	<b>307,901</b>	<b>501,041</b>	<b>1,653,824</b>	<b>2,017,641</b>	<b>507,034</b>	<b>619,039</b>

Applications received for units in the Funds are recorded net of entry fees. Redemptions from the Funds are recorded gross of exit fees. The Funds recognise the units issued or redeemed when settled, which is trade date.

Each unit confers upon the unitholder an equal interest in that fund and is of equal value to other units in the same fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Funds. The rights of unitholders are contained in the Funds' Constitutions and include:

- the right to redeem units, subject to restrictions disclosed in the Funds' PDSs;
- the right to receive a distribution determined in accordance with the Funds' Constitutions;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Funds.

There are no separate classes of units and each unit in a Fund has the same rights attaching to it as all other units of that Fund.



# Notes to the Financial Statements

for the year ended 30 June 2023

## 9. Related Parties

### Responsible Entity

The Responsible Entity of the Funds is MAM. MAM is a wholly owned subsidiary of Magellan Financial Group Limited ("MFG") (Australian Securities Exchange ("ASX") code: MFG), the immediate and ultimate parent entity of the Responsible Entity, and both are considered to be related parties of the Funds.

### 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 Funds. The Responsible Entity is responsible for managing the activities of the Funds and considered to be a KMP. The Funds do not employ personnel in their 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 Funds for managing the assets of the Funds. The Responsible Entity pays operating expenses of the Funds, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs. Management fees are calculated monthly based on the Net Asset Value of each Fund (before fees) at the end of each month. Management fees are reflected in the daily unit prices of the Funds 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 a fund exceeding both index relative and absolute return hurdles over a given calculation period, as well as exceeding the applicable high watermark. 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 each Fund includes a performance fee accrual equal to the amount that would be payable if it were the end of a Calculation Period. Further detail of the performance fees can be found in the Funds' Product Disclosure Statements ("PDSs").

# Notes to the Financial Statements

for the year ended 30 June 2023

## Total Management and Performance Fees

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

	Magellan Global Fund (Hedged)				Magellan Infrastructure Fund				Magellan Infrastructure Fund (Unhedged)			
	% pa	30 Jun 2023 \$	% pa	30 Jun 2022 \$	% pa	30 Jun 2023 \$	% pa	30 Jun 2022 \$	% pa	30 Jun 2023 \$	% pa	30 Jun 2022 \$
Management fees	1.35 <sup>1</sup>	8,431,159	1.35 <sup>1</sup>	17,856,952	1.05 <sup>1</sup>	25,569,484	1.05 <sup>1</sup>	30,164,574	1.05 <sup>1</sup>	11,069,846	1.05 <sup>1</sup>	12,532,222
Performance fees		97,653		12,572		18,138		5,525,780		597,658		1,993,253
<b>Total Fees Expensed in the Statement of Profit or Loss and Comprehensive Income</b>		<b>8,528,812</b>		17,869,524		<b>25,587,622</b>		35,690,354		<b>11,667,504</b>		14,525,475
<b>Total Management and Performance Fees Payable in the Statement of Financial Position</b>		<b>734,926</b>		957,813		<b>2,017,319</b>		2,596,303		<b>1,562,883</b>		1,111,580

<sup>1</sup> Excluding GST.

## Transactions with Related Parties

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

	30 Jun 2022				30 Jun 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>MGFH</b>								
MFG	-	550,084	0.1	39,826	-	550,084	0.2	39,881
<b>MIF</b>								
Director - Paul Lewis <sup>4</sup>	76,185	1,436,396	na	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 Funds 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 Funds.

# Notes to the Financial Statements

for the year ended 30 June 2023

## 10. Capital and Financial Risk Management

### Financial Risk Management

The Funds' investment portfolios primarily comprise listed equity investments. The investment objectives of the Funds are to achieve attractive risk-adjusted returns over the medium to long-term, whilst reducing the risk of permanent capital loss, in accordance with their investment strategies (as detailed in the current PDSs). The Funds' investing activities expose them 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 Funds' PDSs and seeks to maximise the returns derived for the level of risk to which the Funds are exposed.

The following disclosures in relation to the various risks of the Funds' portfolios have been based on the Funds' direct holdings.

### Concentration Risk

Concentration risk indicates the relative sensitivity of the Funds' performance to developments affecting a particular industry or geographical location. The Funds hold concentrated portfolios of investments, and the returns of the Funds may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in the Funds' unit prices, and also increases the risk of poor performance. The Funds' concentration risk is managed in accordance with the portfolio risk controls for each 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 portfolios are sufficient to ensure the Funds' returns are not overly correlated to a single company, industry specific or macroeconomic risk, but the returns of the portfolios 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 returns of the Funds may increase or decrease by different amounts.

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

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Impact on net operating profit and unitholders' equity	<b>24,593</b>	36,458	<b>103,124</b>	130,349	<b>46,372</b>	55,321

A decrease of 5% in the market price of the Funds' investments would have had an equal but opposite effect.

# Notes to the Financial Statements

for the year ended 30 June 2023

## 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 Funds 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 currency risk of MIFU is managed on an unhedged basis and therefore the returns of the fund is exposed to changes in exchange rates relative to the Australian Dollar.

MGFH and MIF are managed on a currency hedged basis using forward foreign currency contracts. MGFH and MIF invest in financial assets denominated in currencies other than the Australian Dollar and are therefore exposed to the risk that movements in foreign exchange rates will cause fluctuations in profit or loss. MGFH and MIF use forward foreign currency contracts to mitigate this risk by hedging the underlying exposure to financial assets denominated in currencies other than the Australian Dollar.

Due to daily changes in the fair value of underlying assets, the face value of hedging contracts will not always completely eliminate currency exposure. The strategy of MGFH and MIF is to substantially eliminate currency exposure and the appropriateness of the amounts hedged is monitored daily and adjusted if the total net exposure to any individual foreign currency is greater than 5% of the net assets of the respective fund.

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

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
US Dollars	<b>5,565</b>	(5,002)	<b>13,083</b>	28,046	<b>405,898</b>	597,288
Euro	<b>1,102</b>	(3,235)	<b>4,711</b>	(12,594)	<b>276,368</b>	266,039
British Pounds	<b>139</b>	(1,038)	<b>7,433</b>	(471)	<b>126,588</b>	123,918
Canadian Dollars	<b>677</b>	-	<b>1,844</b>	(748)	<b>26,994</b>	27,789
Swiss Francs	<b>1,036</b>	978	<b>1,856</b>	130	<b>12,462</b>	71
Hong Kong Dollars	<b>134</b>	9	<b>19</b>	19	-	-
New Zealand Dollars	-	-	<b>19</b>	(575)	<b>19</b>	10,785

# Notes to the Financial Statements

for the year ended 30 June 2023

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, at balance date, relative to each currency to which the Funds are exposed (based on assets and liabilities) are as follows:

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	5% increase in A\$'000	30 Jun 2023 5% decrease in A\$'000	5% increase in A\$'000	30 Jun 2023 5% decrease in A\$'000	5% increase in A\$'000	30 Jun 2023 5% decrease in A\$'000
	Assets and liabilities denominated in:					
US Dollars	(265)	293	(623)	689	(19,328)	21,363
Euro	(52)	58	(224)	248	(13,160)	14,546
British Pounds	(7)	7	(354)	391	(6,028)	6,663
Canadian Dollars	(32)	36	(88)	97	(1,285)	1,421
New Zealand Dollars	-	-	(1)	1	(1)	1
Swiss Francs	(49)	55	(88)	98	(593)	656
Hong Kong Dollars	(6)	7	(1)	1	-	-

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	5% increase in A\$'000	30 Jun 2022 5% decrease in A\$'000	5% increase in A\$'000	30 Jun 2022 5% decrease in A\$'000	5% increase in A\$'000	30 Jun 2022 5% decrease in A\$'000
	Assets and liabilities denominated in:					
US Dollars	238	(263)	(1,336)	1,476	(28,442)	31,436
Euro	154	(170)	600	(663)	(12,669)	14,002
British Pounds	49	(55)	22	(25)	(5,901)	6,522
Canadian Dollars	-	-	36	(39)	(1,323)	1,463
New Zealand Dollars	-	-	27	(30)	(514)	568
Swiss Francs	(47)	51	(6)	7	(3)	4
Hong Kong Dollars	-	-	(1)	1	-	-

# Notes to the Financial Statements

for the year ended 30 June 2023

## 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 Funds' 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 Funds' recorded net profit or equity.

## Liquidity Risk

Liquidity risk is the risk that the Funds 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 Funds maintaining sufficient cash reserves to meet their normal operating requirements and primarily holding investments that are traded in active markets and can be readily disposed. The majority of the Funds' equity securities are considered readily realisable as they are listed on stock exchanges around the world. In addition, the Funds' Constitutions and PDSs allow the Responsible Entity to suspend capital withdrawals from the Funds 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 Funds, 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 Funds.

At balance date, the Funds had an obligation to settle payables (including distributions payable) with cash, cash equivalents, receivables and derivative assets as follows:

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Cash and cash equivalents	35,530	66,984	72,206	142,568	30,253	57,110
Receivables	3,582	6,891	33,178	25,198	7,985	8,801
Derivative assets	268	2,376	219	6,015	-	-
	<b>39,380</b>	76,251	<b>105,603</b>	173,781	<b>38,238</b>	65,911
Distributions payable	10,961	18,438	43,826	52,459	18,405	22,223
Payables	2,897	4,361	6,921	6,442	3,068	2,964
Derivative liabilities	8,471	18,132	41,287	41,606	-	-
	<b>22,329</b>	40,931	<b>92,034</b>	100,507	<b>21,473</b>	25,187

At balance date, the Funds' non-derivative financial liabilities comprised payables which mature in less than a month (June 2022: less than one month) (refer Note 7). At balance date MGFH and MIF had derivative assets and liabilities that were settled within 30 days (refer Note 6).

# Notes to the Financial Statements

for the year ended 30 June 2023

## Credit Risk

Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial losses to the Funds. 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 Funds' maximum exposure to credit risk is the carrying amount of all cash and cash equivalents, financial assets and receivables recognised in the Statements of Financial Position as well as the value of any financial commitments which the Funds would assume in the event of counterparty default.

The Funds minimise 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 Funds are regularly monitored. Credit risk relating to outstanding settlements is considered low due to the short settlement periods involved.

MIFU does not hold derivatives. MGFH and MIF use derivative financial instruments for currency hedging purposes. Derivatives are not used to gear (leverage) the portfolios. MGFH and MIF may have credit risk arising from forward foreign currency positions if the market value of those positions is positive (refer Note 6).

The Funds are also exposed to the credit risk of The Northern Trust Company ("NT") which is the appointed custodian of the Funds. 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 schemes 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 Funds for services provided by the auditor of the Funds, Ernst & Young Australia:

	Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2023 \$	30 Jun 2022 \$	30 Jun 2023 \$	30 Jun 2022 \$	30 Jun 2023 \$	30 Jun 2022 \$
Fees for audit and review of statutory financial reports	17,010	16,200	17,010	16,200	17,010	16,200
Fees for audit related assurance services <sup>1</sup>	1,292	1,279	1,292	1,279	1,292	1,279
Fees for other services:						
Taxation compliance services <sup>2</sup>	6,900	6,900	6,900	6,900	6,900	6,900
<b>Total Auditor Remuneration</b>	<b>25,202</b>	24,379	<b>25,202</b>	24,379	<b>25,202</b>	24,379
<b>% of non-audit fees paid to auditor</b>	<b>32.5%</b>	33.5%	<b>32.5%</b>	33.5%	<b>32.5%</b>	33.5%

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

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

# Notes to the Financial Statements

for the year ended 30 June 2023

## 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 Funds have 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.

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. Asset prices move daily and intraday indicative NAV per unit and daily NAV per unit are available on the MFG website and also the ASX website. Subsequent to balance date, as at 31 August 2023, the relevant NAV information is as follows:

	Magellan Global Fund (Hedged)	Magellan Infrastructure Fund	Magellan Infrastructure Fund (Unhedged)
NAV per unit (\$)	<b>1.6418</b>	<b>1.1979</b>	<b>1.8194</b>
Net asset value (\$'000)	<b>469,892</b>	<b>1,928,371</b>	<b>888,310</b>
Units ('000)	<b>286,202</b>	<b>1,609,857</b>	<b>488,253</b>

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



# Directors' Declaration

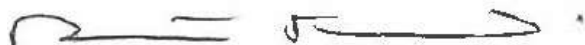
for the year ended 30 June 2023

In the Directors' opinion, the Financial Statements and Notes of:

Magellan Global Fund (Hedged);  
Magellan Infrastructure Fund; and  
Magellan Infrastructure Fund (Unhedged), (collectively the "Funds") as set out on pages 10 to 32;

- a. are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the financial position of the Funds as at 30 June 2023 and of their performance as represented by the results of their operations and their cash flows for the year ended on that date; and
  - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001*, International Financial Reporting Standards as disclosed in Note 1 and other mandatory professional reporting requirements; and
- b. there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.

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



**Robert Fraser**

Chairman

Sydney, 4 September 2023

## **Independent auditor's report to the unitholders of Magellan Global Fund (Hedged), Magellan Infrastructure Fund, Magellan Infrastructure Fund (Unhedged) )**

### **Report on the audit of the annual financial reports**

#### **Opinion**

We have audited the financial report of Magellan Global Fund (Hedged), Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) (the Funds), 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 Funds 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 their 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 Funds 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 thereon**

The directors are responsible for the other information. The other information comprises the information included in Funds' 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 Funds 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 Funds' 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 Funds 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 Funds' 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 Funds' 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 Funds 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.

A handwritten signature in blue ink that reads 'Ernst &amp; Young'.

**Ernst & Young**

A handwritten signature in blue ink that reads 'Clare Sporle'.

**Clare Sporle**

Partner

Sydney, 4 September 2023

# Corporate Information

## Directors of the Responsible Entity

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

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Email: [info@magellangroup.com.au](mailto:info@magellangroup.com.au)

## Website

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## 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)  
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