



**MAGELLAN**  
ASSET MANAGEMENT LIMITED

# Magellan High Conviction Fund

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## Interim Report

For the half year ended 31 December 2020

ABN 20 120 243 491

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# Responsible Entity's Report

for the half year ended 31 December 2020

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 half year report on the Fund for the period ended 31 December 2020.

## 1. Directors

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

		Appointed
Robert Fraser	Chairman	23 April 2014
Brett Cairns	Chief Executive Officer	22 January 2007
John Eales	Non-executive Director	1 July 2017
Colette Garnsey	Non-executive Director	30 November 2020
Paul Lewis	Non-executive Director	20 December 2006
Hamish McLennan	Non-executive Director	1 March 2016
Kirsten Morton	Chief Financial Officer	5 October 2018
Karen Phin	Non-executive Director	23 April 2014

## 2. Principal Activity

The Fund is a registered managed investment scheme, domiciled in Australia, with principal place of business at Level 36, 19 Martin Place, Sydney, New South Wales 2000. MAM is both the Responsible Entity and the Investment Manager of the Fund.

The primary objectives of the Fund are to achieve attractive risk-adjusted returns over the medium to long-term. The Fund offers investors an opportunity to invest in a high conviction global equity fund. We aim 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. We endeavour to acquire these companies at discounts to their assessed intrinsic value. The Fund's portfolio comprises 8 to 12 investments with the portfolio weighted towards our highest conviction ideas. The Fund may manage its foreign currency exposure arising from investments in overseas markets (as detailed in the Product Disclosure Statement ("PDS"), issued 30 November 2020).

## 3. Significant Changes in State of Affairs

On 24 September 2020 MAM announced a distribution policy update, to target a cash distribution yield of 3% per annum, for each unit class, paid semi-annually each June and December (refer Note 2 to the Financial Statements).

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

# Responsible Entity's Report

for the half year ended 31 December 2020

## 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 31 December, was as follows:

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Results</b>		
Total net investment income (\$'000)	<b>20,768</b>	79,028
Total expenses (\$'000)	<b>5,016</b>	9,845
<b>Operating Profit/(Loss) (\$'000)</b>	<b>15,752</b>	69,183

Distributions paid and payable for the periods ended 31 December was as follows:

	Class A Units 31 Dec 2020 <sup>1</sup>	Class B Units 31 Dec 2020 <sup>1</sup>
<b>Distributions</b>		
Distribution paid and payable (\$'000)	<b>6,885</b>	<b>3,211</b>
Distribution paid and payable (cents per unit)	<b>2.8200</b>	<b>1.7200</b>

<sup>1</sup> As the Fund's first interim distribution was for the period ended 31 December 2020, there is no 31 December 2019 comparative.

The final distributions for the year ended 30 June 2020 of 6.00 cents per unit amounting to \$14,721,000 for Class A Units and 3.50 cents per unit amounting to \$5,129,000 for Class B Units were paid on 14 July 2020.

	Class A Units		Class B Units	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
<b>Unit Price</b>				
Unit price (net asset value) (ex-distribution) (\$)	<b>1.9458</b>	2.0849	<b>1.1918</b>	1.2687
Redemption unit price (ex-distribution) (\$)	<b>1.9444</b>	2.0834	<b>1.1910</b>	1.2678

# Responsible Entity's Report

for the half year ended 31 December 2020

## 4.2. Total Indirect Cost Ratio ("ICR")

The 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	
	6 Months to 31 Dec 2020 %	6 Months to 31 Dec 2019 %	6 Months to 31 Dec 2020 %	6 Months to 31 Dec 2019 %
Management fee	<b>0.75</b>	0.75	<b>0.39</b>	0.39
Performance fee <sup>1</sup>	<b>0.02</b>	0.65	<b>0.06</b>	1.38
<b>Total Indirect Cost Ratio</b>	<b>0.77</b>	1.40	<b>0.45</b>	1.77

	12 Months to 31 Dec 2020 %	12 Months to 31 Dec 2019 %	12 Months to 31 Dec 2020 %	12 Months to 31 Dec 2019 %
	Management fee	<b>1.50</b>	1.50	<b>0.78</b>
Performance fee <sup>1</sup>	<b>0.03</b>	1.78	<b>0.09</b>	2.78
<b>Total Indirect Cost Ratio</b>	<b>1.53</b>	3.28	<b>0.87</b>	3.56

<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 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 at exit price. The returns are calculated daily, compounded to produce longer period returns.

	Class A Units		Class B Units	
	6 Months to 31 Dec 2020 %	6 Months to 31 Dec 2019 %	6 Months to 31 Dec 2020 %	6 Months to 31 Dec 2019 %
Growth return <sup>1</sup>	<b>1.1</b>	11.4	<b>1.3</b>	11.1
Distribution return <sup>2</sup>	<b>1.4</b>	-	<b>1.5</b>	-
<b>Total Return<sup>3</sup></b>	<b>2.5</b>	11.4	<b>2.8</b>	11.1

	12 Months to 31 Dec 2020 %	12 Months to 31 Dec 2019 %	12 Months to 31 Dec 2020 %	12 Months to 31 Dec 2019 %
	Growth return <sup>1</sup>	<b>(6.7)</b>	26.9	<b>(6.1)</b>
Distribution return <sup>2</sup>	<b>4.3</b>	2.7	<b>4.2</b>	2.8
<b>Total Return<sup>3</sup></b>	<b>(2.4)</b>	29.6	<b>(1.9)</b>	29.2

<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 half year ended 31 December 2020

## 5. Strategy and Future Outlook

Since its inception the Fund has exercised its ability to actively hedge the Fund's foreign currency exposure arising from portfolio investments in foreign markets back to Australian dollars. The objective of this currency hedging strategy was to reduce the impact of foreign currency exposure when the Australian dollar traded outside its historical range. On 25 November 2020 the portfolio managers made a notification of change to the currency hedging strategy. While retaining the flexibility to reduce the impact of foreign currency exposures associated with identified event risks, the Fund will otherwise adopt an unhedged approach to foreign currency exposures arising from portfolio investments in foreign markets.

Other than the above 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 Magellan Financial Group Limited website, [www.magellangroup.com.au](http://www.magellangroup.com.au). These 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 4 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. Investment performance is not guaranteed and past returns should not be used to predict future returns.

## 8. Subsequent Events

Other than the 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.

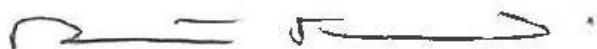
## 9. Rounding of Amounts

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.

## 10. 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, 26 February 2021

## **Auditor's independence declaration to the Directors of Magellan Asset Management Limited as the responsible entity of Magellan High Conviction Fund**

As lead auditor for the review of the interim financial report of Magellan High Conviction Fund for the interim period ended 31 December 2020, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Clare Sporle  
Partner  
26 February 2021

# Statement of Profit or Loss and Comprehensive Income

for the half year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Investment Income</b>			
Dividend and distribution income		1,328	1,909
Interest income		4	425
Net change in fair value of investments		30,024	76,358
Net gain/(loss) on foreign exchange settlements, derivative contracts and cash		(10,588)	336
<b>Total Net Investment Income</b>		<b>20,768</b>	79,028
<b>Expenses</b>			
Management fees		4,573	4,524
Performance fees		231	5,015
Brokerage costs		13	20
Withholding tax on dividends and distributions		199	286
<b>Total Expenses</b>		<b>5,016</b>	9,845
<b>Operating Profit/(Loss)</b>		<b>15,752</b>	69,183
<b>Finance Costs Attributable to Unitholders</b>			
Distributions of income and capital to unitholders	2	(10,096)	-
(Increase)/decrease in net assets attributable to unitholders	4	(5,656)	(69,183)
<b>Profit/(Loss)</b>		-	-
Other comprehensive income		-	-
<b>Total Comprehensive Income/(Loss)</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 31 December 2020

	Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Assets</b>			
Cash and cash equivalents		<b>80,151</b>	155,623
Receivables		<b>650</b>	489
Investments	3	<b>628,473</b>	511,265
<b>Total Assets</b>		<b>709,274</b>	667,377
<b>Liabilities</b>			
Distribution payable	2	<b>10,096</b>	19,850
Payables		<b>1,627</b>	1,063
Derivative liabilities	3	-	1,857
<b>Total Liabilities</b>		<b>11,723</b>	22,770
<b>Net Assets Attributable to Unitholders - Liability</b>	4	<b>697,551</b>	644,607

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 half year ended 31 December 2020

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 half year ended 31 December 2020

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash Flows from Operating Activities</b>		
Dividends and distributions received (net of withholding tax)	1,116	1,617
Interest received	5	478
Management and performance fees paid	(4,647)	(11,678)
Brokerage costs paid	(13)	(20)
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	<b>(3,539)</b>	<b>(9,603)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(222,801)	(232,964)
Proceeds from sale of investments	126,958	288,564
Net cash flows from settlement of forward foreign currency contracts	5,941	(3,251)
Net foreign exchange gains/(losses)	(16,075)	1,545
<b>Net Cash Inflows/(Outflows) from Investing Activities</b>	<b>(105,977)</b>	<b>53,894</b>
<b>Cash Flows From Financing Activities</b>		
Receipts from issue of units	120,355	88,501
Payments for redemption of units	(76,313)	(133,315)
Distributions paid	(16,359)	(11,531)
<b>Net Cash Inflows/(Outflows) from Financing Activities</b>	<b>27,683</b>	<b>(56,345)</b>
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>	<b>(81,833)</b>	<b>(12,054)</b>
Cash and cash equivalents at the beginning of the period	155,623	62,863
Effect of exchange rate fluctuations on cash and cash equivalents	6,361	(1,084)
<b>Cash and Cash Equivalents at the end of the Period</b>	<b>80,151</b>	<b>49,725</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 half year ended 31 December 2020

## 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 26 February 2021. 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

The condensed interim financial report is a general purpose financial report, presented in Australian Dollars, and has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001*, other mandatory professional reporting requirements and the Fund's Constitution.

The condensed interim financial report does not include all the information and disclosures normally included in the annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2020 Annual Report and any public announcements made during the period.

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 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 are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of the revised Conceptual Framework ("Conceptual Framework") on 1 July 2020. The Conceptual Framework included amendments to the definition and recognition criteria for assets, liabilities, income and expenses, guidance on measurement and derecognition, and other relevant financial reporting concepts and resulted in no impact on the Fund. 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. Critical Accounting Estimates And Judgements

In applying the Fund's accounting policies, a number of estimates and assumptions have been made concerning the future. 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.

The significant judgements made by the Directors in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those described in the 30 June 2020 Annual Report.

The impacts of the COVID-19 pandemic on the Fund were disclosed in Note 1(g) of the Fund's 2020 Annual Report and remain broadly unchanged at the date of this financial report. Despite the pandemic continuing throughout the period of this report, there have been no new adverse impacts on the Fund's financial results or risks arising from COVID-19 and the Fund's operations and service providers are operating efficiently and largely unaffected. Whilst share market and currency volatility remains, the Fund has not recorded any impairments of its investments during the period ended 31 December 2020 nor experienced any recovery issues with the Fund's receivables, which comprised mainly dividends and distributions.

Investments are valued with reference to listed quoted prices. Derivatives are fair valued using valuation techniques, for example pricing models, which are validated and periodically reviewed by MAM. Cash continues to be held with strongly rated financial institutions. As such the Fund's financial assets and liabilities are not subject to significant judgement or complexity.

# Notes to the Financial Statements

for the half year ended 31 December 2020

## 2. Distributions to Unitholders

Distributions for the periods ended 31 December are as follows:

	Class A Units		Class B Units		Date Paid
	\$'000	CPU	\$'000	CPU	
<b>Period ended 31 December 2020</b>					
Prior year final distribution paid	<b>14,721</b>	<b>6.00</b>	<b>5,129</b>	<b>3.50</b>	<b>14 Jul 2020</b>
Interim distribution payable	<b>6,885</b>	<b>2.82<sup>1</sup></b>	<b>3,211</b>	<b>1.72<sup>2</sup></b>	<b>15 Jan 2021</b>

<sup>1</sup> Class A Units have a Target Cash Distribution ("TCD") per annum of 3% and the TCD for the period ended 30 December 2020 was 2.82 CPU.

<sup>2</sup> Class B Units have a TCD per annum of 3% and the TCD for the period ended 30 December 2020 was 1.72 CPU.

	Class A Units		Class B Units		Date Paid
	\$'000	CPU	\$'000	CPU	
<b>Period ended 31 December 2019</b>					
Prior year final distribution paid	12,192	4.0000	1,737	2.5000	12 Jul 2019
Interim distribution payable <sup>1</sup>	-	-	-	-	-

<sup>1</sup> As the Fund's first interim distribution was for the period ended 31 December 2020, there is no 31 December 2019 comparative.

The 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.

On 5 January 2021, MAM announced the TCD for the six month period ended 30 Jun 2021 will be 2.92 CPU for Class A Units and 1.78 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 ("DRP")

The Fund's 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.

Details of the DRP for the interim and final distributions are as follows:

	Class A Units		Class B Units	
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
DRP issue price (\$)	<b>1.9458</b>	1.9250	<b>1.1918</b>	1.1759
DRP unitholder participation rate (%)	<b>15.40</b>	21.46	<b>2.60</b>	6.52
Number of units issued under DRP	<b>798,409</b>	1,640,457	<b>218,856</b>	283,152
Value of units issued under DRP (\$'000)	<b>1,554</b>	3,158	<b>261</b>	333
DRP issue date	<b>1 Jan 2021</b>	1 Jul 2020	<b>1 Jan 2021</b>	1 Jul 2020

# Notes to the Financial Statements

for the half year ended 31 December 2020

## 3. 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.

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Investments (Level 1)</b>		
International listed equity securities:		
- United States	540,128	409,423
- Hong Kong	59,500	62,789
- Germany	28,845	39,053
<b>Total Investments</b>	<b>628,473</b>	511,265
<b>Derivative Liabilities (Level 2)</b>		
Forward foreign currency contracts	-	1,857
<b>Total Derivative Liabilities</b>	<b>-</b>	1,857

The Fund does 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 Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at balance date.

# Notes to the Financial Statements

for the half year ended 31 December 2020

## 4. Net Assets Attributable to Unitholders - Liability

	Class A Units		Class B Units	
	6 Months to 31 Dec 2020	12 Months to 30 June 2020	6 Months to 31 Dec 2020	12 Months to 30 Jun 2020
	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000
<b>Units on Issue</b>				
Opening balance	<b>245,358</b>	304,809	<b>146,525</b>	69,485
Units issued	<b>18,875</b>	72,316	<b>66,128</b>	95,274
Units issued under DRP	<b>1,640</b>	1,225	<b>283</b>	93
Units redeemed	<b>(21,720)</b>	(132,992)	<b>(26,255)</b>	(18,327)
<b>Units on Issue at end of the Period</b>	<b>244,153</b>	245,358	<b>186,681</b>	146,525

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.

	Class A Units		Class B Units	
	6 Months to 31 Dec 2020	12 Months to 30 June 2020	6 Months to 31 Dec 2020	12 Months to 30 Jun 2020
	No. of Units \$'000	No. of Units \$'000	No. of Units \$'000	No. of Units \$'000
<b>Changes in Net Assets Attributable to Unitholders</b>				
Opening balance	<b>472,303</b>	570,328	<b>172,304</b>	79,331
Applications	<b>38,440</b>	143,001	<b>82,023</b>	114,598
Reinvestment of distributions	<b>3,158</b>	2,292	<b>333</b>	106
Redemptions	<b>(44,013)</b>	(255,644)	<b>(32,653)</b>	(22,068)
Increase/(decrease) in net assets attributable to unitholders	<b>5,183</b>	12,326	<b>473</b>	337
<b>Net Assets Attributable to Unitholders at end of the Period</b>	<b>475,071</b>	472,303	<b>222,480</b>	172,304

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.

# Notes to the Financial Statements

for the half year ended 31 December 2020

## 5. Contingent Assets, Contingent Liabilities and Commitments

At balance date the Fund has no contingent assets, contingent liabilities or commitments (June 2020: nil).

## 6. Subsequent Events

Other than the 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.



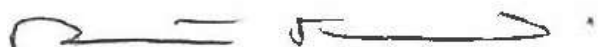
# Directors' Declaration

for the half year ended 31 December 2020

In the Directors' opinion,

- a. the financial statements and notes set out on pages 8 to 16 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 31 December 2020 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, 26 February 2021

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

### Report on the interim financial report

#### Conclusion

We have reviewed the accompanying interim financial report of Magellan High Conviction Fund (the Fund), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of profit and loss and comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the interim period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the interim financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its financial performance for the interim period ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' responsibility for the interim financial report

The Directors of the Responsible Entity are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2020 and its financial performance for the interim period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Clare Sporle  
Partner  
Sydney  
26 February 2021

# Corporate Information

## Directors

Robert Fraser - Chairman  
Brett Cairns - Chief Executive Officer  
John Eales  
Colette Garnsey  
Paul Lewis  
Hamish McLennan  
Kirsten Morton - Chief Financial Officer  
Karen Phin

## Company Secretary

Marcia Venegas

## Registered Office

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

## Auditor

Ernst & Young  
200 George Street  
Sydney NSW 2000

## Unit Registrar

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Level 1, 51 – 57 Pitt Street  
Sydney NSW 200  
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<http://www.magellangroup.com.au>