



MAGELLAN
ASSET MANAGEMENT LIMITED

Magellan High Conviction Trust

Interim Report

For the half year ended 31 December 2021

ABN 25 531 724 961

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Chairman's Report

for the half year ended 31 December 2021

Dear Unitholders,

We are pleased to present the Interim Financial Report for Magellan High Conviction Trust (the "Fund"). The Fund is a managed investment scheme for which Magellan Asset Management Limited ("MAM") acts as both Responsible Entity and Investment Manager.

During the period, we completed the transition of the Fund from a closed-ended listed investment trust on the Official List of the ASX to an open-ended active ETF quoted on the ASX under the AQUA Rules ("Transition"). As a result of the successful Transition, the Fund commenced trading on ASX under the AQUA Rules under the ticker "MHHT" on 31 August 2021. As at 31 December 2021, the Fund had net assets of \$848 million and a net asset value of \$1.8059 per unit after providing for a distribution of 2.380 cents per unit for the six months to 31 December 2021.

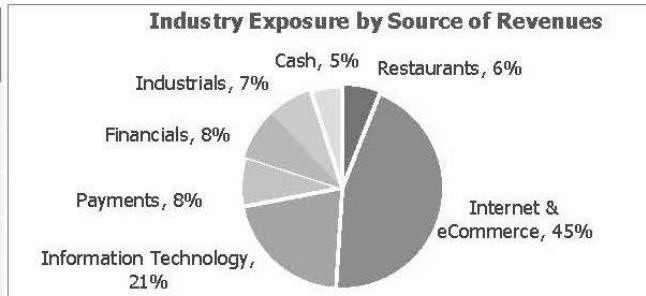
The Fund's portfolio is actively managed by MAM and aims to achieve attractive risk-adjusted returns over the medium to long term for unitholders through investment in a concentrated portfolio. To achieve this, the Fund invests in a portfolio of between 8 and 12 high-quality global equity stocks, as assessed by MAM, and has the ability to manage equity market risk by holding up to 50% of its net assets in cash. The Fund adopts an unhedged approach to foreign currency exposures arising from portfolio investments in foreign markets. For the six and 12 months to 31 December 2021, the Fund returned 5.5% and 21.2% net of fees respectively.

The Fund paid a cash distribution of 2.380 cents per in respect of the six months to 31 December 2021. This is consistent with MAM's stated intention to target a cash distribution yield of 3% per annum of the average of the month-end NAV per Unit over the two year rolling period ending on the last Business Day of the prior distribution period.

We would encourage you to read our monthly and quarterly Fund Reports which provide valuable insight into our investment strategies and portfolio managers' thoughts. These are released on ASX and can also be found on our website: www.magellangroup.com.au.

As at 31 December 2021, the Fund consisted of investments in 11 companies. The Fund's cash position was 5% of the portfolio which was predominantly held in US Dollars. The Fund's industry exposure by source of revenues is highlighted below.

| Top 5 holdings (as at 31 December 2021) In alphabetical order | Sector |
|--|------------------------|
| Alphabet - class C shares | Internet & eCommerce |
| Meta Platforms - class A shares | Internet & eCommerce |
| Microsoft | Information Technology |
| Netflix | Internet & eCommerce |
| Visa - class A shares | Payments |



On 7 February 2022, MAM announced that its Chief Investment Officer and Portfolio Manager of the Fund, Mr Hamish Douglass, was taking a medical leave of absence to prioritise his health following a period of intense pressure and focus on both his professional and personal life. At that time, Mr Chris Mackay was appointed to oversee the portfolio management of the Fund in conjunction with the Fund's co-portfolio manager, Mr Chris Wheldon, with the support of MAM's Investment team.

As a business that puts our clients and employees first, we wholeheartedly support Hamish taking the time he requires to prioritise his health and we look forward to his return. In the meantime, we are very fortunate to welcome back Chris Mackay. Chris was Magellan Financial Group's Co-Founder and was MAM's inaugural Chief Investment Officer from inception in 2006 to 2012.

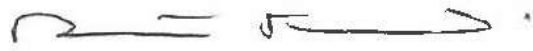
Chris' transition back into our business has been seamless. He is an experienced investor with a strong long term track record of managing global equities and, for the last 10 years, has worked from our offices and has been actively engaged with the investment team during that time.

Importantly, I assure you we are focused on our key objective and purpose which is to deliver value for our clients who entrust us to manage their assets. The Fund has met its long-term objective of delivering returns of 10% per annum net of fees since inception, however we recognise that we need to sharpen our investment processes to improve investment performance.

Chairman's Report

for the half year ended 31 December 2021

The following report contains relevant financial statements and information which we encourage you to read carefully.



Robert Fraser

Chairman

Sydney, 2 March 2022

Responsible Entity's Report

for the half year ended 31 December 2021

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Magellan High Conviction Trust (the "Fund") present their half year report on the Fund for the period ended 31 December 2021.

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 | |
| John Eales | Non-executive Director | 1 July 2017 | |
| Colette Garnsey | Non-executive Director | 30 November 2020 | |
| Hamish McLennan | Non-executive Director | 1 March 2016 | |
| Kirsten Morton | Interim Chief Executive Officer/Chief Financial Officer ¹ | 5 October 2018 | |
| Karen Phin | Non-executive Director | 23 April 2014 | |
| Brett Cairns | Chief Executive Officer | 22 January 2007 | 6 December 2021 |
| Paul Lewis | Non-executive Director | 20 December 2006 | 30 September 2021 |

¹ Following Mr Cairns' resignation on 6 December 2021, Ms Morton was appointed Interim Chief Executive Officer.

2. Principal Activity

The Fund is a registered managed investment scheme, domiciled in Australia, with the principal place of business at Level 36, 25 Martin Place, Sydney, New South Wales, 2000 and quoted on the Australian Securities Exchange ("ASX") under the AQUA Rules (ticker code: MHHT, formerly MHH (refer Section 3)).

MAM, as Responsible Entity, is responsible for overseeing the operations of the Fund. As the Investment Manager, MAM is responsible for selecting and managing the assets of the Fund.

The Portfolio will typically comprise 8 to 12 investments, weighted towards MAM's highest conviction ideas, as assessed by the Portfolio Managers. MAM seeks to invest in a focused portfolio of outstanding global companies and seeks to purchase investments when they are trading at a discount to MAM's assessment of their intrinsic value. MAM undertakes extensive fundamental analysis on the individual companies and the industries in which they operate.

The Fund's investment objective is to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy (as detailed in the Product Disclosure Statement ("PDS"), issued 23 December 2021).

3. Significant Changes in State of Affairs

On 1 July 2021, the Responsible Entity announced its intention to transition the Fund from a closed-ended listed investment trust to an open-ended active Exchange Traded Fund ("ETF"). On 25 August 2021, a Unitholder Meeting voted in favour of a series of resolutions related to the transition, and the Fund was removed from the Official List of the ASX at the close of trading on 30 August 2021. Subsequently the Fund began trading on 31 August 2021, as an active ETF under the AQUA Rules with ticker code MHHT.

Following the transition, investors are able to apply for and redeem units directly with the Responsible Entity and continue to be able to transact through the ASX, at what is generally expected to be a tight spread to the Net Asset Value per unit of the Fund. Any costs relating to the transition were paid for by Magellan Financial Group Limited ("MFG"). The Fund offers a Dividend Reinvestment Plan to unitholders to reinvest future distributions at the prevailing Net Asset Value per unit with no discount.

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 2021

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 2021 | 31 Dec 2020 |
|---|---------------|-------------|
| Results | | |
| Total net investment income (\$'000) | 63,696 | 32,754 |
| Total expenses (\$'000) | 8,830 | 7,631 |
| Profit/(Loss) (\$'000) | 54,866 | 25,123 |
| Distributions | | |
| Distribution paid and payable (\$'000) | 11,178 | 13,548 |
| Distribution paid and payable (CPU) ¹ | 2.38 | 2.25 |
| Unit Price (NAV per Unit) (\$)² | 1.8059 | 1.5284 |
| ASX Reported NAV per Unit (\$)³ | 1.8297 | 1.5509 |

¹ Cents Per Unit.

² The Net Asset Value ("NAV") per unit represents the net assets of the Fund shown in the Statement of Financial Position at balance date divided by the number of units on issue at balance date (as shown in Note 4 to the Financial Statements).

³ The NAV per unit reported to the ASX will differ to the NAV per unit at balance date due to distributions payable and fee accruals.

The final distribution for the year ended 30 June 2021 of 2.250 cents per unit amounting to \$13,061,000 was paid on 21 July 2021.

4.2. Total Indirect Cost Ratio

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

| | 6 Months to 31 Dec 2021 % | 12 Months to 31 Dec 2021 % | 6 Months to 31 Dec 2020 % | 12 Months to 31 Dec 2020 % |
|----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Management fee | 0.76 | 1.50 | 0.75 | 1.50 |
| Performance fee ¹ | 0.11 | 1.15 | 0.01 | 0.00 |
| Total Indirect Cost Ratio | 0.87 | 2.65 | 0.76 | 1.50 |

¹ 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 NAV per unit for the Fund until the Fund transitioned on 31 August, and the redemption unit price of the Fund post the transition, which are after fees and expenses, assuming the reinvestment of distributions. The returns are calculated daily, compounded to produce longer period returns.

| | 6 Months to 31 Dec 2021 % | 12 Months to 31 Dec 2021 % | 6 Months to 31 Dec 2020 % | 12 Months to 31 Dec 2020 % |
|----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Growth return ¹ | 4.1 | 18.1 | 1.3 | (4.5) |
| Distribution return ² | 1.4 | 3.1 | 1.5 | 2.9 |
| Total Return³ | 5.5 | 21.2 | 2.8 | (1.6) |

¹ 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.

² The Distribution return is calculated as a percentage by subtracting the Growth return from the Total return.

³ 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 2021

5. Strategy and Future Outlook

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

The Fund provides daily unit prices, monthly fund updates, quarterly portfolio disclosures and annual investor reports, which can be found in the 'Our Funds' section of the MFG website, www.magellangroup.com.au and also the ASX website. 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 Fund

The movement in units on issue in the Fund is disclosed in 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

NAV moves as a result of a number of factors including movements in asset prices, exchange rates, units bought back and unitholder subscriptions and redemptions. Subsequent to balance date, as at 24 February 2022, the Fund had a NAV per unit of \$1.5806 with net asset value of \$708,807,000 and 448,428,000 units.

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 financial periods. 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.

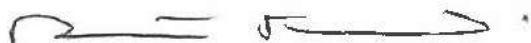
9. Rounding of Amounts

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 8.

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



Robert Fraser

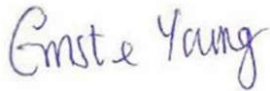
Chairman

Sydney, 2 March 2022

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

As lead auditor for the review of the interim financial report of Magellan High Conviction Trust for the interim period ended 31 December 2021, 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;
- b. no contraventions of any applicable code of professional conduct in relation to the review; and
- c. no non-audit services provided that contravene any applicable code of professional conduct in relation to the review.



Ernst & Young



Clare Sporle
Partner

Sydney, 2 March 2022

Statement of Profit or Loss and Comprehensive Income

for the half year ended 31 December 2021

| | Note | 31 Dec 2021 \$'000 | 31 Dec 2020 \$'000 |
|---|------|-----------------------|-----------------------|
| Investment Income | | | |
| Dividend and distribution income | | 1,580 | 1,799 |
| Interest income | | - | 4 |
| Net change in fair value of investments | | 60,962 | 45,796 |
| Net gains/(losses) on foreign exchange settlements, derivative contracts and cash | | 1,154 | (14,845) |
| Total Net Investment Income | | 63,696 | 32,754 |
| Expenses | | | |
| Management fees | | 7,215 | 7,290 |
| Performance fees | | 1,052 | 38 |
| Withholding tax on dividends and distributions | | 237 | 270 |
| Transaction costs | | 326 | 33 |
| Total Expenses | | 8,830 | 7,631 |
| Profit/(Loss) | | 54,866 | 25,123 |
| Other comprehensive income | | - | - |
| Total Comprehensive Income/(Loss) | | 54,866 | 25,123 |
| Basic Earnings Per Unit (Cents) | 5 | 10.47 | 4.15 |
| Diluted Earnings Per Unit (Cents) | 5 | 10.47 | 4.15 |

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 2021

| | Note | 31 Dec 2021 \$'000 | 30 Jun 2021 \$'000 |
|----------------------------------|------|-----------------------|-----------------------|
| Assets | | | |
| Cash and cash equivalents | | 44,575 | 35,930 |
| Receivables | | 559 | 1,783 |
| Investments | 3 | 816,840 | 993,996 |
| Total Assets | | 861,974 | 1,031,709 |
| Liabilities | | | |
| Distributions payable | 2 | 11,178 | 13,061 |
| Payables | | 2,617 | 12,443 |
| Total Liabilities | | 13,795 | 25,504 |
| Total Unitholders' Equity | | 848,179 | 1,006,205 |

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 2021

| | Note | 31 Dec 2021 \$'000 | 31 Dec 2020 \$'000 |
|---|------|-----------------------|-----------------------|
| Total Unitholders' Equity at the beginning of the Period | | 1,006,205 | 916,003 |
| Transactions with Unitholders in their Capacity as Owners: | | | |
| Units issued | | 306 | - |
| Units issued under Distribution Reinvestment Plan | 2 | 3,273 | 3,715 |
| Units redeemed | | (204,826) | - |
| Units bought back on-market and cancelled | 4 | (639) | (11,185) |
| | | (201,886) | (7,470) |
| MFG contribution to offset dilutionary impact of DRP discount | 2 | 172 | 196 |
| Distributions paid and payable | 2 | (11,178) | (13,548) |
| Total Transactions with Unitholders | | (212,892) | (20,822) |
| Profit/(loss) | | 54,866 | 25,123 |
| Other comprehensive income | | - | - |
| Total Comprehensive Income/(Loss) | | 54,866 | 25,123 |
| Total Unitholders' Equity at the end of the Period | | 848,179 | 920,304 |

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

Statement of Cash Flows

for the half year ended 31 December 2021

| | Note | 31 Dec 2021 \$'000 | 31 Dec 2020 \$'000 |
|--|------|-----------------------|-----------------------|
| Cash Flows from Operating Activities | | | |
| Dividends and distributions received (net of withholding tax) | | 1,484 | 1,637 |
| Interest received | | - | 2 |
| Management and performance fees paid | | (17,232) | (7,234) |
| Transaction costs paid | | (326) | (33) |
| Net Cash Inflow/(Outflow) from Operating Activities | | (16,074) | (5,628) |
| Cash Flows from Investing Activities | | | |
| Purchase of investments | | (164,150) | (242,251) |
| Proceeds from sale of investments | | 401,697 | 166,887 |
| Net foreign exchange gain/(loss) | | 2,670 | (27,323) |
| Net cash flows from settlement of forward foreign currency contracts | | - | 8,700 |
| Net Cash Inflow/(Outflow) from Investing Activities | | 240,217 | (93,987) |
| Cash Flows from Financing Activities | | | |
| Receipts from issue of units | | 306 | - |
| MFG contribution to offset dilutionary impact of DRP discount | 2 | 172 | 196 |
| Payments for redemption of units | | (204,594) | - |
| Payments for buyback of units | | (639) | (11,387) |
| Distributions paid | | (9,788) | (9,947) |
| Net Cash Inflow/(Outflow) from Financing Activities | | (214,543) | (21,138) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | | |
| Cash and cash equivalents at the beginning of the period | | 35,930 | 210,020 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | (955) | 13,745 |
| Cash and Cash Equivalents at the end of the Period | | 44,575 | 103,012 |

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 2021

Overview

The Magellan High Conviction Trust (the "Fund") is a registered managed investment scheme under the *Corporations Act 2001* and domiciled in Australia. From inception to 30 August 2021, the Fund was a closed-ended unit trust and quoted on ASX (ticker code: MHH). The Fund transitioned from a closed-ended listed investment trust to an open-ended active ETF, and effective from the 31 August 2021 the Fund was admitted to trading status on the ASX under the AQUA Rules (ticker code: MHHT). The Fund was registered on 16 July 2019 and in accordance with the Fund's Constitution, commenced on the date that the first unit was issued, which was 11 October 2019. The Fund terminates on the earlier of the time provided by the Fund's Constitution or by law.

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

This interim financial report was authorised for issue by the Directors of the Responsible Entity on 2 March 2022. The Directors have the power to amend and reissue this interim financial report.

The Fund is considered a for-profit unit trust for the purpose of this interim 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 2021 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. 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

The preparation of the Fund's 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 3). As most investments are valued with reference to the listed quoted prices and the Fund's cash is held with strongly rated financial institutions, the Fund's financial assets are not subject to significant judgement or complexity nor are the Fund's liabilities.

Notes to the Financial Statements

for the half year ended 31 December 2021

2. Distributions to Unitholders

Distributions for the periods ended 31 December are as follows:

| | \$'000 | CPU | Date Paid |
|--------------------------------------|---------------|--------------|--------------------|
| Period ended 31 December 2021 | | | |
| Prior year final distribution paid | 13,061 | 2.250 | 21 Jul 2021 |
| Interim distribution payable | 11,178 | 2.380 | 19 Jan 2022 |

| | \$'000 | CPU | Date Paid |
|--------------------------------------|--------|-------|-------------|
| Period ended 31 December 2020 | | | |
| Prior year final distribution paid | 13,662 | 2.250 | 28 Jul 2020 |
| Interim distribution payable | 13,548 | 2.250 | 15 Jan 2021 |

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

On 10 January 2022 MAM announced the Target Cash Distribution for the six month period ended 30 June 2022 will be 2.46 CPU.

Distribution Reinvestment Plan

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

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

Investors who participated in the DRP, prior to the Fund transitioning from a closed-ended listed investment trust to an active ETF on 31 August 2021, were entitled to reinvest distributions and receive units at an issue price which included a specified discount to prevailing NAV per unit. To prevent dilution to existing unitholders MFG paid the Fund consideration equal to the cost of this discount in accordance with the MFG Commitment Deed.

Following the transition of the Fund on 31 August 2021 to an open-ended active ETF, the Fund continued to offer a DRP to unitholders to reinvest distributions at the prevailing NAV per unit, with no discount.

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

| | 31 Dec 2021 Interim Distribution | 30 Jun 2021 Final Distribution | 31 Dec 2020 Interim Distribution | 30 Jun 2020 Final Distribution |
|---|--|--------------------------------------|--|--------------------------------------|
| DRP issue price (\$) | 1.8059 | 1.6467 | 1.4520 | 1.4854 |
| DRP unitholder participation rate (%) | 27.81 | 25.06 | 25.65 | 27.19 |
| Number of units issued under DRP | 1,721,342 | 1,987,611 | 2,393,250 | 2,500,963 |
| Value of ordinary issued under DRP (\$'000) | 3,109 | 3,273 | 3,475 | 3,715 |
| DRP 5% issue price discount (\$'000) | - | 172 | 183 | 196 |
| DRP issue date | 19 Jan 2022 | 21 Jul 2021 | 15 Jan 2021 | 28 Jul 2020 |

Notes to the Financial Statements

for the half year ended 31 December 2021

3. Investments and Derivatives

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

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

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

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

| | Domicile | 31 Dec 2021 \$'000 | 30 Jun 2021 \$'000 |
|------------------------------|---------------|-----------------------|-----------------------|
| Investments (Level 1) | | | |
| Microsoft | United States | 117,313 | 164,279 |
| Alphabet Class C | United States | 110,820 | 146,951 |
| Netflix | United States | 92,878 | 115,773 |
| Meta Platforms Class A | United States | 85,686 | 127,858 |
| Visa | United States | 73,645 | 59,870 |
| Intercontinental Exchange | United States | 70,557 | 73,019 |
| SAP | Germany | 63,769 | 75,671 |
| Safran | France | 57,537 | - |
| Amazon | United States | 55,061 | - |
| Starbucks | United States | 48,622 | 65,245 |
| Alibaba | United States | 40,952 | 82,884 |
| Tencent | Hong Kong | - | 82,446 |
| Total Investments | | 816,840 | 993,996 |

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

Notes to the Financial Statements

for the half year ended 31 December 2021

4. Unitholders' Equity

| | Note | 6 Months to 31 Dec 2021 No. of Units '000 | 12 Months to 30 Jun 2021 No. of Units '000 |
|--|------|--|---|
| Units on Issue | | | |
| Opening balance | | 580,492 | 607,183 |
| Units issued | | 162 | - |
| Units issued under DRP | 2 | 1,988 | 4,894 |
| Units redeemed | | (112,578) | - |
| Units bought back on-market and cancelled | 4.1 | (381) | (31,585) |
| Units on Issue at end of the Period | | 469,683 | 580,492 |

As the Fund has elected into the AMIT regime, units in the Fund are classified as equity under AASB 132: *Financial Instruments: Presentation*. As a result, equity transactions including distributions have been included in the Statement of Changes In Equity.

Ordinary Units

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

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

- 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;

Prior to the transition of the Fund on 31 August 2021, units could only be cancelled via the on-market buy back in place (refer Note 4.1).

From 31 August 2021 when the Fund began trading as an active ETF, investors can enter or exit the Funds via buying/selling units on the ASX or by applications/withdrawals direct to/from the Responsible Entity. The method of entry into the Fund does not affect the method of exit from the Fund. The entry and exit price received and investment minimums are set out in the Fund's PDS at www.magellangroup.com.au.

It is important to note the right to redeem units, subject to restrictions disclosed in the Fund's PDS. Those restrictions may include where trading in units on the ASX are suspended for five consecutive business days. In this case, unitholders may apply to the Responsible Entity to make an off-market withdrawal of their investment from the Fund when the Fund is liquid. Where the Fund ceases to be liquid, units may only be withdrawn once an offer is made to all investors in the Fund in accordance with the Fund's Constitution.

There may be other circumstances where off-market withdrawals from the Fund are suspended for up to 28 days, including where:

- it is impracticable for the Responsible Entity, or the Responsible Entity is unable, to calculate the NAV of the Fund;
- the payment of withdrawal proceeds involves realising a significant portion of the Fund's assets which would, in the Responsible Entity's opinion, result in remaining investors bearing a disproportionate amount of capital gains tax or expenses, or suffering any other disadvantage or diminution of the value of units held;
- the Responsible Entity reasonably considers it would be in the interests of investors, or it is otherwise permitted by law; or
- the Responsible Entity receives withdrawal requests of an aggregate value that in its reasonable estimate exceeds 5% of the Fund's assets.

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

4.1. Unit On-Market Buy-back

On 10 October 2019, the Responsible Entity of the Fund announced its intention to undertake an on-market buy-back. On 20 August 2020 an announcement was made to extend the on-market buy-back to 23 October 2021. As a result of the Fund's transition to an

Notes to the Financial Statements

for the half year ended 31 December 2021

active ETF, the on-market buy-back was cancelled with a final buy-back notice being lodged on 27 August 2021. During the buy-back period a total of 36,002,605 units were bought back at a total cost of \$52,209,420.

5. Earnings per Unit

Basic Earnings Per Unit ("EPU") is calculated as profit/(loss) for the period divided by the weighted average number of units on issue. Diluted earnings per unit is calculated by adjusting the basic earnings per unit to take into account the effect of any changes in income or expense associated with dilutive potential units and the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units.

| | 31 Dec 2021 | 31 Dec 2020 |
|---|----------------|-------------|
| Basic EPU | | |
| Profit/(loss) attributable to unitholders (\$'000) | 54,866 | 25,123 |
| Weighted average number of units for basic EPU ('000) | 524,060 | 605,494 |
| Basic EPU (Cents) | 10.47 | 4.15 |
| Diluted EPU | | |
| Profit/(loss) attributable to unitholders (\$'000) | 54,866 | 25,123 |
| Weighted average number of units for diluted EPU ('000) | 524,060 | 605,494 |
| Diluted EPU (Cents) | 10.47 | 4.15 |
| Earnings Reconciliation | | |
| Profit/(loss) used in the calculation of basic and diluted EPU (\$'000) | 54,866 | 25,123 |

As the Fund has no potential dilutive units basic and diluted EPU are equal. Since the end of the period, the Fund has issued ordinary units under the DRP (refer Note 2).

6. Net Asset Value per Unit

The NAV per unit represents the net assets of the Fund presented in the Statement of Financial Position at balance date divided by the number of units on issue at balance date (refer Note 4).

| | 31 Dec 2021 | 30 Jun 2021 |
|--------------|---------------|-------------|
| | \$ | \$ |
| NAV per unit | 1.8059 | 1.7334 |

The NAV per unit at balance date may differ from the NAV per unit reported to the ASX due to distributions payable and fee accruals.

NAV moves as a result of a number of factors including movements in asset prices, exchange rates, units bought back and unitholder subscriptions and redemptions. Subsequent to balance date, as at 24 February 2022, the Fund had a NAV per unit of \$1.5806 with net asset value of \$708,807,000 and 448,428,000 units.

7. Segment Information

An operating segment is a distinguishable component of the Fund that is engaged in business activity from which the Fund earns revenues and incurs expenses, whose operating results are regularly reviewed by the Fund's chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision maker has been determined as Ms Kirsten Morton.

The Fund's investments are managed on a single portfolio basis and in one business segment being equity investment, as well as in one geographic segment being Australia. The Fund continues to have foreign exposures as it invests in companies which operate internationally.

Notes to the Financial Statements

for the half year ended 31 December 2021

8. Contingent Assets, Contingent Liabilities and Commitments

The Fund has no contingent assets, liabilities or commitments at balance date. At 31 December 2020 the Fund had contingent asset amounts receivable from MFG where the Fund offered a discount to the NAV per unit on units issued under the DRP in future periods, in accordance with the terms of the MFG Commitment Deed, as it was not practical to estimate the future amounts receivable. Following the transition of the Fund to an active ETF, the Fund offers a DRP to unitholders to reinvest future distributions, at the prevailing NAV per unit with no discount. As a consequence there is no contingent asset at 31 December 2021.

9. Subsequent Events

Other than the items disclosed throughout this interim 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. 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.

Directors' Declaration

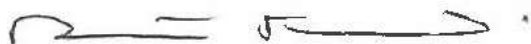
for the half year ended 31 December 2021

In the Directors' opinion,

- a. the financial statements and notes set out on pages 9 to 18 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 2021 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 has been made after receiving declarations that mirror section 295A of the *Corporations Act 2001* and are recommended by the ASX Corporate Governance Principles and Recommendations.

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



Robert Fraser
Chairman

Sydney, 2 March 2022

Independent Auditor's Report to the unitholders of Magellan High Conviction Trust

Conclusion

We have reviewed the accompanying Interim Financial Report of Magellan High Conviction Trust (the Fund), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and comprehensive income, the statement of changes in equity and the 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:

1. giving a true and fair view of the Fund's financial position as at 31 December 2021 and of its financial performance for the interim period ended on that date; and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Annual Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

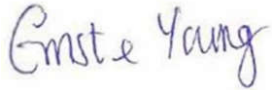
Directors' Responsibility for the Interim Financial Report

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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 2021 and its performance for the interim period ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.



Ernst & Young



Clare Sporle

Partner

Sydney, 2 March 2022

Corporate Information

Directors

Robert Fraser - Chairman
John Eales AM
Colette Garnsey OAM
Hamish McLennan
Kirsten Morton - Interim Chief Executive Office/Chief Financial Officer
Karen Phin

Company Secretaries of the Responsible Entity

Mariana Kolaroski
Marcia Venegas

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