



**MAGELLAN**  
ASSET MANAGEMENT LIMITED

# Magellan Global Equities Fund (Currency Hedged)

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## Interim Report

For the half year ended 31 December 2021

ABN 38 702 719 173

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# Chairman's Report

for the half year ended 31 December 2021

Dear Unitholders,

We are pleased to present the Interim Report for Magellan Global Equities Fund (Currency Hedged) (Managed Fund) (the "Fund"). The Fund is a managed investment scheme for which Magellan Asset Management Limited ("MAM") acts as both Responsible Entity and Investment Manager.

The Fund has been quoted on the Australian Securities Exchange (ticker code: MHG) since 10 August 2015. As at 31 December 2021, the Fund had net assets of \$311.9 million and a net asset value of \$3.9360 per unit after providing for a distribution of 7.07 cents per unit for the six months to 31 December 2021.

The Fund's portfolio is actively managed by MAM and is the currency hedged version of the Magellan Global Fund. MAM aims to achieve attractive risk-adjusted returns over the medium to long term for unitholders, while reducing the risk of permanent capital loss. To achieve this, the Fund invests in a portfolio of between 20 and 40 high-quality global equity stocks, as assessed by MAM, and has the ability to manage equity market risk by holding up to 20% of its net assets in cash. Currency exposure is substantially hedged back to Australian Dollars.

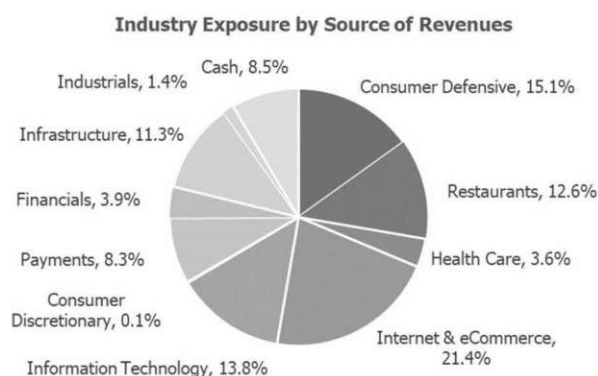
For the six months and 12 months to 31 December 2021, the Fund returned 3.7% and 13.4% net of fees respectively. This compares with the return of the index (MSCI World Net Total Return Index (hedged to Australian Dollars)) of 8.4% and 23.7% over the same period.

The Fund paid a cash distribution of 7.07 cents per unit 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 4% 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](http://www.magellangroup.com.au).

As at 31 December 2021, the portfolio consisted of investments in 26 companies, with the top 10 investments (listed below) representing 50.2% of the Fund. The Fund's cash position was 8.5% of the portfolio which was predominantly held in Australian Dollars. The Fund's portfolio industry exposure by source of revenues is highlighted below.

Top 10 holdings (as at 31 December 2021)	% of Fund
Microsoft	8.6
Alphabet - class A and class C shares	6.3
Netflix	5.2
Starbucks	4.9
Yum! Brands	4.7
Visa - class A shares	4.6
Pepsico	4.5
Intercontinental Exchange	3.9
Meta Platforms - class A shares	3.8
MasterCard	3.7
<b>Top 10 Total</b>	<b>50.2</b>



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 managers, Ms Nikki Thomas and Mr Arvid Streimann, with the support of MAM's investment team.

# Chairman's Report

for the half year ended 31 December 2021

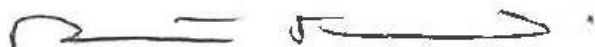
As a business that puts our clients and employees first, we wholeheartedly support Hamish taking the time he requires to prioritise his health and we look forward to his return. In the meantime, we are very fortunate to welcome back Chris Mackay. Chris was Magellan Financial Group's Co-Founder and was 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 9% per annum net of fees since inception with downside protection, however we recognise that we need to sharpen our investment processes to improve investment performance.

We have deeply experienced investment teams and our proven investment discipline has provided clients with strong and consistent results. There is no change in MAM's focus on quality investment portfolios built at appropriate prices with portfolio construction seeking to minimise the risk of permanent capital loss. We feel that our investment style is well-suited to navigate our investors through the current period of market volatility.

The following report contains relevant financials 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 Global Equities Fund (Currency Hedged) (the "Fund" or "MHG") 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 <sup>1</sup>	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

<sup>1</sup> 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: MHG).

MAM, as Responsible Entity, is responsible for overseeing the operations of the Fund. MAM is also Investment Manager, responsible for selecting and managing the assets of the Fund. In addition, the Responsible Entity, on behalf of the Fund, may also provide trading liquidity to investors on the ASX under the AQUA Rules by acting as a buyer and seller of units in the Fund. The Responsible Entity has appointed an independent market participant to act as its agent to execute its market making activities.

The Fund invests in a portfolio of between 20 and 40 high quality global equity stocks. To achieve this MAM undertakes rigorous company research to identify what it assesses to be high quality companies combined with an assessment of the macro-economic environment and a disciplined risk-controlled approach to portfolio construction. The Fund has the ability to manage equity market risk by holding up to 20% of its net assets in cash. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially hedged.

The Fund's investment objectives are 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, issued 23 December 2021).

## 3. Significant Changes in State of Affairs

There were no 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
<b>Results</b>		
Total net investment income (\$'000)	<b>14,385</b>	23,518
Total expenses (\$'000)	<b>(2,554)</b>	(2,082)
<b>Profit/(Loss) (\$'000)</b>	<b>11,831</b>	21,436
<b>Distributions</b>		
Distribution paid and payable (\$'000)	<b>5,604</b>	5,889
Distribution paid and payable (CPU) <sup>1</sup>	<b>7.07</b>	6.56
<b>Unit Price (NAV per unit) (\$)<sup>2</sup></b>	<b>3.9360</b>	3.5940
<b>ASX Reported (NAV per unit) (\$)<sup>3</sup></b>	<b>4.0067</b>	3.6598

<sup>1</sup> Cents Per Unit.

<sup>2</sup> 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).

<sup>3</sup> 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 6.81 cents per unit amounting to \$6,017,000 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	<b>0.68</b>	<b>1.35</b>	0.68	1.35
Performance fee <sup>1</sup>	-	-	-	-
<b>Total Indirect Cost Ratio</b>	<b>0.68</b>	<b>1.35</b>	0.68	1.35

<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 NAV per unit for the Fund, which is 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 <sup>1</sup>	<b>1.9</b>	<b>9.5</b>	7.4	0.8
Distribution return <sup>2</sup>	<b>1.8</b>	<b>3.9</b>	2.0	5.8
<b>Total Return<sup>3</sup></b>	<b>3.7</b>	<b>13.4</b>	9.4	6.6

<sup>1</sup> The Growth return is calculated daily as a percentage by dividing the NAV per unit (ex-distribution) by the previous day's NAV per unit (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 NAV per unit (cum-distribution) by the previous day's NAV per unit (cum-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](http://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.

## 8. Subsequent Events

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 24 February 2022, the Fund had a NAV per unit of \$3.5021 with a net asset value of \$234,059,000, and 66,833,000 units on issue.

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 [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website.

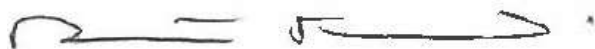
## 9. Rounding of Amounts

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**

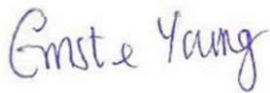
Chairman

Sydney, 2 March 2022

## **Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as responsible entity of Magellan Global Equities Fund (Currency Hedged)**

As lead auditor for the review of the Interim Financial Report of Magellan Global Equities Fund (Currency Hedged) 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
<b>Investment Income</b>			
Dividend and distribution income		1,621	1,265
Interest income		-	17
Other income		1	8
Net change in fair value of investments		12,698	22,273
Net gains/(losses) on foreign exchange settlements, derivative contracts and cash		65	(45)
<b>Total Net Investment Income</b>		<b>14,385</b>	23,518
<b>Expenses</b>			
Management fees		2,264	1,844
Performance fees		2	-
Transaction costs		67	49
Withholding tax on dividends and distributions		221	189
<b>Total Expenses</b>		<b>2,554</b>	2,082
<b>Profit/(Loss)</b>		<b>11,831</b>	21,436
Other comprehensive income		-	-
<b>Total Comprehensive Income/(Loss)</b>		<b>11,831</b>	21,436
<b>Basic Earnings Per Unit (Cents)</b>	5	<b>13.98</b>	28.37
<b>Diluted Earnings Per Unit (Cents)</b>	5	<b>13.98</b>	28.37

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
<b>Assets</b>			
Cash and cash equivalents		27,378	18,579
Receivables		1,572	1,552
Derivative assets	3	54	-
Investments	3	290,961	336,467
<b>Total Assets</b>		<b>319,965</b>	<b>356,598</b>
<b>Liabilities</b>			
Distributions payable	2	5,604	6,017
Payables		568	462
Derivative liabilities	3	1,819	8,788
<b>Total Liabilities</b>		<b>7,991</b>	<b>15,267</b>
<b>Total Unitholders' Equity</b>		<b>311,974</b>	<b>341,331</b>

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

# Statement of Changes in Equity

for the half year ended 31 December 2021

	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Total Unitholders' Equity at the beginning of the Period</b>		<b>341,331</b>	215,847
<b>Transactions with Unitholders in their Capacity as Owners:</b>			
Units issued		7,592	91,077
Units issued under Distribution Reinvestment Plan		329	386
Units redeemed		(43,505)	(227)
Distributions paid and payable	2	(5,604)	(5,889)
<b>Total Transactions with Unitholders</b>		<b>(41,188)</b>	85,347
Profit/(loss)		11,831	21,436
Other comprehensive income		-	-
Total comprehensive income/(loss)		11,831	21,436
<b>Total Unitholders' Equity at the end of the Period</b>		<b>311,974</b>	322,630

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
<b>Cash flows from Operating Activities</b>			
Dividends and distributions received (net of withholding tax)		1,324	1,011
Interest received		-	21
Other income received		1	8
Management and performance fees paid		(2,281)	(1,761)
Brokerage costs paid		(67)	(49)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>(1,023)</b>	<b>(770)</b>
<b>Cash flows from Investing Activities</b>			
Purchase of investments		(31,394)	(117,175)
Proceeds from sale of investments		99,899	14,500
Net foreign exchange gain/(loss)		305	(216)
Net cash flows from settlement of forward foreign currency contracts		(17,518)	8,703
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>51,292</b>	<b>(94,188)</b>
<b>Cash flows from Financing Activities</b>			
Receipts from issue of units		7,592	91,116
Payments for redemption of units		(43,379)	(227)
Distributions paid		(5,688)	(8,001)
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>(41,475)</b>	<b>82,888</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>8,794</b>	<b>(12,070)</b>
Cash and cash equivalents at the beginning of the period		18,579	36,624
Effect of exchange rate fluctuations on cash and cash equivalents		5	26
<b>Cash and Cash Equivalents at the end of the Period</b>		<b>27,378</b>	<b>24,580</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 2021

## Overview

The Magellan Global Equities Fund (Currency Hedged) (the "Fund") is a registered managed investment scheme under the *Corporations Act 2001* and was admitted to trading status on the ASX under the AQUA Rules. The Fund was registered on 14 July 2015 and in accordance with the Fund's Constitution, commenced on the date that the first unit was issued, which was 10 August 2015. The Fund terminates on the day immediately preceding the 80<sup>th</sup> anniversary of the date of commencement, unless terminated earlier in accordance with the Fund's Constitution.

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. 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
<b>Period ended 31 December 2021</b>			
Prior year final distribution paid	6,017	6.81	21 Jul 2021
Interim distribution payable	5,604	7.07	19 Jan 2022

	\$'000	CPU	Date Paid
<b>Period ended 31 December 2020</b>			
Prior year final distribution paid	8,387	13.00	28 Jul 2020
Interim distribution payable	5,889	6.56	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 7.30 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 transaction costs. Units are issued and/or transferred to DRP participants at a price determined by MAM in accordance with the DRP Rules. 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 (\$)	3.9360	3.8631	3.5942	3.4568
DRP unitholder participation rate (%)	5.99	5.5	3.95	4.68
Number of units issued under DRP	85,276	85,150	64,710	111,714
Value of units issued under DRP (\$'000)	336	329	233	386
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.

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>Investments (Level 1)</b>		
International listed equity securities:		
United States	233,437	259,109
Switzerland	22,885	25,554
Germany	11,749	15,438
United Kingdom	11,439	13,816
France	4,923	6,554
Spain	4,899	-
Hong Kong	1,629	15,996
<b>Total Investments</b>	<b>290,961</b>	<b>336,467</b>
<b>Derivative Assets (Level 2)</b>		
Forward foreign currency contracts	54	-
<b>Total Derivative Assets</b>	<b>54</b>	<b>-</b>
<b>Derivative Liabilities (Level 2)</b>		
Forward foreign currency contracts	1,819	8,788
<b>Total Derivative Liabilities</b>	<b>1,819</b>	<b>8,788</b>

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

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

Company Name	Exchange Listing	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Microsoft	United States	27,370	27,677
Netflix	United States	16,652	17,071
Alphabet - class C shares	United States	16,262	20,695
Starbucks	United States	15,489	19,000
Yum! Brands	United States	14,865	14,532
Visa - class A shares	United States	14,508	16,336
Pepsico	United States	14,318	14,364
Intercontinental Exchange	United States	12,455	14,307
Meta Platforms - class A shares	United States	12,217	22,585
MasterCard	United States	11,781	12,182
SAP	Germany	11,749	15,438
Nestle	Switzerland	11,570	12,085
Crown Castle International	United States	11,447	12,639
Reckitt Benckiser	United Kingdom	11,439	13,816
Novartis	Switzerland	11,315	13,469
Procter & Gamble	United States	10,626	10,394
McDonald's	United States	9,780	9,945
Amazon	United States	8,879	-
Alibaba Group Holding	United States	8,602	17,086
Xcel Energy	United States	8,300	9,517
WEC Energy Group	United States	8,053	8,718
Eversource Energy	United States	8,044	8,382
Amadeus	Spain	4,899	-
Safran	France	4,489	-
Alphabet - class A shares	United States	3,789	3,679
Alibaba Group Holding	Hong Kong	1,629	-
LVMH	France	434	6,554
Tencent	Hong Kong	-	15,996
<b>Total Investments</b>		<b>290,961</b>	<b>336,467</b>



# Notes to the Financial Statements

for the half year ended 31 December 2021

## 4. Unitholders' Equity

	6 Months to 31 Dec 2021 No. of Units '000	12 Months to 30 Jun 2021 No. of Units '000
<b>Units on Issue</b>		
Opening balance	88,358	64,518
Units issued	1,953	30,052
Units issued under DRP	85	176
Units redeemed	(11,135)	(6,388)
<b>Units on Issue at end of the Period</b>	<b>79,261</b>	<b>88,358</b>

### 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;
- the right to participate in the termination and winding up of the Fund; and
- 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.

# Notes to the Financial Statements

for the half year ended 31 December 2021

## 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
<b>Basic EPU</b>		
Profit/(loss) attributable to unitholders (\$ '000)	<b>11,831</b>	21,436
Weighted average number of units for basic EPU ('000)	<b>84,657</b>	75,570
<b>Basic EPU (Cents)</b>	<b>13.98</b>	28.37
<b>Diluted EPU</b>		
Profit/(loss) attributable to unitholders (\$'000)	<b>11,831</b>	21,436
Weighted average number of units for diluted EPU ('000)	<b>84,657</b>	75,570
<b>Diluted EPU (Cents)</b>	<b>13.98</b>	28.37
<b>Earnings Reconciliation</b>		
Profit/(loss) used in the calculation of basic and diluted EPU (\$'000)	<b>11,831</b>	21,436

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	<b>3.9360</b>	3.8630

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 and unitholder subscriptions and redemptions. Subsequent to balance date, as at 24 February 2022, the Fund had a NAV per unit of \$3.5021 with a net asset value of \$234,059,000, and 66,833,000 units on issue.

## 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

At balance date the Fund has no contingent assets, liabilities or commitments (June 2021: nil).

## 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

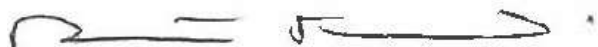
for the half year ended 31 December 2021

In the Directors' opinion,

- a. the financial statements and notes set out on pages 9 to 19 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 review report to the unitholders of Magellan Global Equities Fund (Currency Hedged)

### Conclusion

We have reviewed the accompanying interim financial report of Magellan Global Equities Fund (Currency Hedged) (the Fund), which comprises the statement of financial position as at 31 December 2021, the statement of profit and loss and comprehensive income, statement of changes in equity and 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* section of our report. We are independent of the Responsible Entity 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.

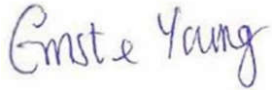
### Directors' Responsibility for the Interim Financial Report

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 Officer and Chief Financial Officer  
Karen Phin

## Company Secretaries of the Responsible Entity

Marcia Venegas  
Mariana Kolaroski

## Registered Office

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## Website

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

## Auditor

Ernst & Young  
200 George Street  
Sydney NSW 2000

## Unit Registrar

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