



ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

MAGELLAN GLOBAL EQUITIES FUND: ARSN 603 395 302

MAGELLAN GLOBAL EQUITIES FUND

Contents

Chairman’s Report	3
Responsible Entity’s Report.....	4
Auditor’s Independence Declaration	9
Statement Of Profit Or Loss And Comprehensive Income	10
Statement Of Financial Position.....	11
Statement Of Changes In Equity	12
Statement Of Cash Flows	13
Notes To The Financial Statements	14
Overview	14
1. Basis Of Preparation	14
2. Distributions To Unitholders	16
3. Cash And Cash Equivalents	17
4. Statement Of Cash Flows Reconciliation	17
5. Receivables	17
6. Investments.....	18
7. Payables.....	20
8. Unitholders’ Equity	20
9. Earnings Per Unit	21
10. Net Asset Value Per Unit	22
11. Related Parties.....	22
12. Capital And Financial Risk Management.....	23
13. Segment Information.....	27
14. Auditor’s Remuneration.....	27
15. Contingent Assets, Contingent Liabilities And Commitments	27
16. Subsequent Events.....	27
Directors’ Declaration.....	29
Independent Auditor’s Report.....	30
Unitholder Information.....	34
Corporate Information	35

MAGELLAN GLOBAL EQUITIES FUND

Chairman's Report for the year ended 30 June 2020

Dear Unitholders,

We are pleased to present the Annual Financial Report for Magellan Global Equities Fund (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.

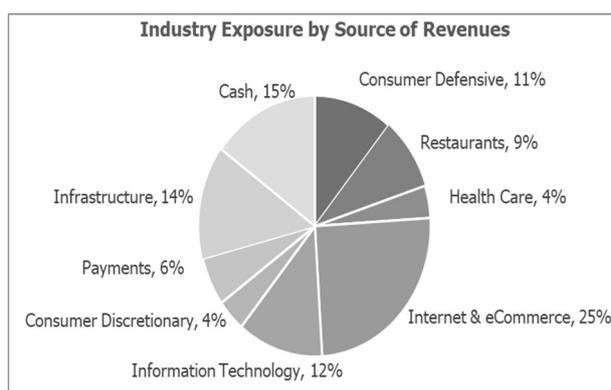
The Fund has been quoted on the Australian Securities Exchange (ticker code: MGE) since 5 March 2015. As at 30 June 2020, the Fund had net assets of \$1,627 million and a net asset value ("NAV") per unit of \$3.8284 (the NAV per unit differs from that reported to the ASX of \$3.9885 due to distributions payable and fee accruals). The Fund paid a distribution of 16.0 cents per unit for the year ended 30 June 2020.

The Fund's portfolio is actively managed by MAM and mirrors, to all intents and purposes, the unlisted 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. The portfolio is currency unhedged. For the 12 months to 30 June 2020, the Fund returned 8.9% net of fees. This compares with the return of the index (MSCI World Net Total Return Index (Australian Dollars)) of 4.8% over the same period.

We would encourage you to read the Magellan InReview 2020, our annual investor communication published in July each year, which shares a collection of deeply thought-provoking investment perspectives from across the Magellan investment teams. You can access InReview 2020 at: 2020.magellaninreview.com.au. We would also 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 30 June 2020, the Portfolio consisted of investments in 21 companies, with the top 10 investments (listed below) representing 54.4% of the Portfolio. The Fund's cash position was 15% which was predominantly held in US Dollars. The Fund's industry exposure by source of revenues is highlighted below.

Top 10 holdings (as at 30 June 2020)	% of Portfolio
Microsoft	8.1
Tencent	6.7
Alibaba Group Holding	6.7
Alphabet - class A and class C shares	6.0
Facebook - class A shares	5.8
Reckitt Benckiser	4.7
Starbucks	4.3
Novartis	4.2
Crown Castle	4.0
SAP	3.9
Top 10 Total	54.4



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

Robert Fraser
Chairman
Sydney, 24 August 2020

MAGELLAN GLOBAL EQUITIES FUND

Responsible Entity's Report for the year ended 30 June 2020

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Magellan Global Equities Fund ("the Fund" or "MGE") present their report on the Fund for the year ended 30 June 2020.

1. Directors

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

Name	Directorship	Appointed
Brett Cairns	Chief Executive Officer	22 January 2007
John Eales	Non-Executive Director	1 July 2017
Robert Fraser	Chairman	23 April 2014
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 and quoted on the Australian Securities Exchange ("ASX") under the AQUA Rules (ticker code MGE). It was registered on 24 December 2014 and commenced trading on 2 March 2015.

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. It can use foreign exchange contracts to facilitate settlement of stock purchases. It is not the Responsible Entity's intention to hedge the foreign currency exposure of the Fund arising from investments in overseas markets.

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 current Product Disclosure Statement, issued 18 November 2019).

MAM, as Responsible Entity, is responsible for overseeing the operations of the Fund. As the Investment Manager, it is 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's principal place of business is Level 36, 19 Martin Place, Sydney, New South Wales 2000.

3. Significant Changes In State Of Affairs

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

MAGELLAN GLOBAL EQUITIES FUND

Responsible Entity's Report

for the year ended 30 June 2020

4. Review Of Financial Results And Operations

a) Financial Results For The Period

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

	30 June 2020	30 June 2019
Results		
Total net investment income (\$'000)	149,493	248,040
Total expenses (\$'000)	25,348	20,571
Profit/(Loss) (\$'000)	124,145	227,469
Distributions		
Distribution paid and payable to unitholders for the period (\$'000)	68,003	41,745
Distribution paid and payable (cents per unit) (refer 4 a) (i) below for components)	16.00	11.00
Unit Price (NAV Per Unit) (\$) ^(A)	3.8284	3.6622
ASX Reported (NAV Per Unit) (\$) ^(B)	3.9885	3.7724

^(A) The Net Asset Value ("NAV") per unit represents the net assets of the Fund presented in the Statement of Financial Position at 30 June divided by the number of units on issue at 30 June (as shown in Note 8 to the financial statements).

^(B) The NAV per unit reported to the ASX on 1 July 2020 will differ to the NAV per unit at balance date due to distributions payable and fee accruals.

i) Distribution components for the final distributions, which can be found in 'Our Funds' section of the MFG website, www.magellangroup.com.au are as follows:

	Final Distribution 30 June 2020 cents per unit	Final Distribution 30 June 2019 cents per unit
Foreign Sourced Income	-	3.06
Foreign income tax offsets	-	0.63
Capital Gains		
Discounted	9.50	-
AMIT Gross up amount	9.50	-
Other non-attributable amounts (tax deferred amounts)	-	7.94
Attribution Amount	19.00	11.63
Tax Offsets		
AMIT cost base increase	(3.00)	-
Foreign income tax offsets	-	(0.63)
Cash Distribution	16.00	11.00

The market impacts arising from the COVID-19 pandemic on the Fund, including downward movements in market prices of the portfolio, are discussed in Note 1(g) of the Financial Statements.

Responsible Entity's Report for the year ended 30 June 2020

4. Review Of Financial Results And Operations (continued)

b) Total Indirect Cost Ratio ("ICR")

The ICR, for the periods ended 30 June, 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.

	30 June 2020 %	30 June 2019 %
Indirect Cost Ratio		
Management fee	1.35	1.35
Performance fee	0.02	0.13
Total Indirect Cost Ratio	1.37	1.48

c) Performance Returns

The performance returns shown in the following table are for the years ended 30 June and have been calculated using the NAV per unit for the Fund, which is after fees and expenses, assuming the reinvestment of distributions at NAV per unit. The returns are calculated daily, compounded to produce longer period returns.

	30 June 2020 %	30 June 2020 %
Performance		
Growth return ^(A)	4.5	16.5
Distribution return ^(B)	4.4	3.5
Total Return ^(C)	8.9	20.0

(A) 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.

(B) The Distribution return is calculated as a percentage by subtracting the Growth return from the Total Return.

(C) 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 (ex-distribution) minus 1; the daily Total returns are then compounded to produce longer period returns.

5. Strategy And Future Outlook

On 3 August 2020, MAM announced its intention to restructure the Global Equities retail product offering which, if approved by unitholders, would result in the acquisition of MGE units on a unit-for-unit basis at the NAV per unit in exchange for open-ended units in the enlarged merged trust, Magellan Global Fund ("MGF"). Further details on the restructure are discussed in section 8.

Information on the restructure in addition to monthly fund updates, quarterly portfolio disclosure and annual investor reports can be found in 'Our Funds' section of the MFG website, www.magellangroup.com.au and also the ASX website. The 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 8 to the financial statements.

7. Likely Developments And Expected Results Of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the Product Disclosure Statement. The changes to the Fund and its unitholders if the restructure (discussed at section 5) is approved, will be set out in the explanatory memorandum which is anticipated to be provided to unitholders in Q4 2020.

Notwithstanding the above, the results of the Fund's operations will continue to be affected by a number of other factors, including the performance of investment markets in which the Fund invests. 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.

Responsible Entity's Report

for the year ended 30 June 2020

8. Subsequent Events

On 3 August 2020, MAM announced a restructure proposal to simplify the Global Equities retail product offering. The restructure is proposed to occur via a consolidation of the unlisted, open-ended, Magellan Global Fund ("MGF"); the listed, open-ended, Magellan Global Equities Fund ("MGE"); and the listed, closed-ended Magellan Global Trust ("MGG") into a single fund with two unit classes, an Open Class and a Closed Class. The units of the merged trust, MGF, are intended to be quoted on the ASX.

The proposed transaction will involve a unitholder vote to amend the constitution of the MGF to facilitate the issue of closed-ended units and the quotation of the unit classes on ASX. Under the terms of two separate but inter-conditional trust schemes the MGF will, subject to the approval of the respective unitholders, acquire MGE and MGG on a unit-for-unit basis at the NAV per unit. Under the proposed restructure, unitholders in the MGF will continue to hold their existing open-ended units. Unitholders in MGE will be offered open-ended units in the MGF. Unitholders in MGG will be offered closed-ended units in the MGF.

Post completion of the restructure, the enlarged MGF intends to undertake a one-for-four entitlement offer to its unitholders to subscribe for new Closed Class Units with an attached bonus three-year option. Unitholders will have the ability to subscribe for new Closed Class Units under the entitlement offer at the prevailing NAV per Unit and receive a valuable partnership benefit in the form of additional Closed Class Units worth 7.5% of the value of their subscription. Applicants who are allotted new Closed Class Units will also receive one option for each new Closed Class Unit issued under the entitlement offer with each option exercisable into one Closed Class Unit at an exercise price set at a 7.5% discount to the prevailing NAV per Unit at the time of exercise.

In addition to the entitlement offer above, MGF also proposes to issue a bonus option to Closed Class unitholders in Magellan Global Fund on the basis of one option for every two Closed Class Units held, with each option exercisable into one Closed Class Unit at an exercise price set at a 7.5% discount to the prevailing NAV per Unit at the time of exercise.

Magellan Financial Group will pay the full costs of implementing the restructure and compensate MGF for the partnership benefits being offered under the entitlement offer and upon exercise of any options.

Additional information about the proposed restructure and relevant approvals, together with further details will be set out in the explanatory memorandum that will be provided to unitholders in advance of the meetings. Those meetings are expected to be convened in Q4 2020.

In a release to the ASX on 6 August 2020, the Fund reported a NAV per unit of \$3.8633 and 431,092,890 units on issue as at 31 July 2020.

Other than the items disclosed throughout this Financial Report and the above there have been no matters or circumstances arising after the end of the year 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 daily unit prices are available on the Magellan Financial Group Limited website, www.magellangroup.com.au and also the ASX website.

9. Indemnification And Insurance of Directors and Officers

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

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

10. Rounding Of Amounts

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

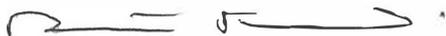
Responsible Entity's Report

for the year ended 30 June 2020

11. Auditor's Independence Declaration

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

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



Robert Fraser

Chairman

Sydney, 24 August 2020



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as the Responsible Entity of Magellan Global Equities Fund

As lead auditor for the audit of Magellan Global Equities Fund for the financial year ended 30 June 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Clare Sporle
Partner

Sydney, 24 August 2020

MAGELLAN GLOBAL EQUITIES FUND

Statement Of Profit Or Loss And Comprehensive Income

for the year ended 30 June 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
Investment Income			
Dividend and distribution income		21,821	17,283
Interest income		1,103	3,600
Net change in fair value of investments		145,437	216,016
Net gains/(losses) on foreign exchange settlements, derivative contracts and cash		(18,908)	11,141
Other income		40	-
Total Net Investment Income		149,493	248,040
Expenses			
Management fees	11 c) i)	21,929	16,415
Performance fees	11 c) ii)	293	1,528
Settlement processing fees		-	40
Transaction costs		137	63
Withholding tax on dividends		2,987	2,524
Finance costs		2	1
Total Expenses		25,348	20,571
Profit/(Loss)		124,145	227,469
Other comprehensive income/(loss)		-	-
Total Comprehensive Income/(Loss)		124,145	227,469
Basic Earnings Per Unit (Cents)	9	30.38	63.80
Diluted Earnings Per Unit (Cents)	9	30.38	63.80

The above Statement Of Profit Or Loss And Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

MAGELLAN GLOBAL EQUITIES FUND

Statement Of Financial Position

as at 30 June 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
Assets			
Cash and cash equivalents	3	256,848	112,412
Receivables	5	3,076	3,455
Investments	6 a)	1,437,536	1,321,983
Total Assets		1,697,460	1,437,850
Liabilities			
Payables	7	2,332	6,330
Distributions payable	2	68,003	41,745
Total Liabilities		70,335	48,075
Total Unitholders' Equity		1,627,125	1,389,775

The above Statement Of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

MAGELLAN GLOBAL EQUITIES FUND

Statement Of Changes In Equity

for the year ended 30 June 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
Unitholders' Equity At Beginning Of The Period		1,389,775	1,051,601
Transactions with unitholders in their capacity as owners:			
Units issued		316,617	197,333
Units issued under distribution reinvestment plan (DRP)		2,330	3,595
Units redeemed		(137,739)	(48,478)
Distributions paid and payable	2	(68,003)	(41,745)
Total transactions with unitholders		<u>113,205</u>	<u>110,705</u>
Comprehensive income for the period:			
Profit/(Loss)		124,145	227,469
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss)		<u>124,145</u>	<u>227,469</u>
Total Unitholders' Equity At The End Of The Period		<u>1,627,125</u>	<u>1,389,775</u>

The above Statement Of Changes In Equity should be read in conjunction with the accompanying notes to the financial statements.

MAGELLAN GLOBAL EQUITIES FUND

Statement Of Cash Flows

for the year ended 30 June 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
Cash Flows From Operating Activities			
Dividends and distributions received (net of withholding tax)		18,558	14,418
Interest received		1,318	3,586
Other income received		40	-
Interest paid		(2)	(1)
Management and performance fees paid		(22,934)	(18,226)
Settlement processing fees paid		-	(40)
Other expenses paid		(309)	(201)
Net Cash Inflows/(Outflows) From Operating Activities	4	(3,329)	(464)
Cash Flows From Investing Activities			
Purchase of investments		(728,156)	(448,054)
Proceeds from sale of investments		757,559	230,728
Net foreign exchange gains/(losses)		816	18,379
Net Cash Inflows/(Outflows) From Investing Activities		30,219	(198,947)
Cash Flows From Financing Activities			
Receipts from issue of units		317,229	198,050
Payments for redemption of units		(137,739)	(48,478)
Distributions paid		(39,415)	(28,545)
Net Cash Inflows/(Outflows) From Financing Activities		140,075	121,027
Net Increase/(Decrease) In Cash And Cash Equivalents		166,965	(78,384)
Cash and cash equivalents at the beginning of the period		112,412	197,949
Effect of exchange rate fluctuations on cash and cash equivalents		(22,529)	(7,153)
Cash And Cash Equivalents At End Of The Period	3	256,848	112,412

The above Statement Of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

Notes To The Financial Statements for the year ended 30 June 2020

Overview

Magellan Global Equities Fund ("the Fund") is a registered managed investment scheme under the *Corporations Act 2001* and is admitted to trading status on the ASX under the AQUA Rules. The Fund was registered on 24 December 2014 and in accordance with the Fund's Constitution, commenced on the date that the first unit was issued, which was 2 March 2015. The Fund terminates on the day immediately preceding the 80th anniversary of the date of commencement, unless terminated earlier in accordance with the Fund's Constitution.

Magellan Asset Management Limited ("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 24 August 2020. 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 Annual financial report.

1. Basis Of Preparation

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

The Statement Of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All 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*.

a) Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting year. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

b) Foreign Currency Translation

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

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

Notes To The Financial Statements for the year ended 30 June 2020

1. Basis Of Preparation (continued)

c) Investment Income

Dividend And Distribution Income

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

Net Change In Fair Value Of Investments

Realised and unrealised gains and losses on investments are measured at fair value through profit or loss.

Interest Income

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

d) Expenses

All expenses are recognised in profit or loss on an accruals basis. Management and performance fees are set out in Note 11 c) iii). Settlement processing fees are paid to a third party market participant to facilitate settlement of the Fund's units issued and redeemed. The Responsible Entity appointed a market participant as its agent to execute its market making activities in order to provide liquidity in the Fund's units on the ASX.

e) Income Tax

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

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

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

f) Goods And Services Tax ("GST")

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

g) Critical Accounting Estimates And Judgements

Whilst the deterioration of market conditions since March 2020 due to the COVID-19 pandemic resulted in a decline in some of the Fund's investments and also some investment portfolio changes (as discussed in the Portfolio Manager's Report), the Fund has experienced very few financial reporting impacts arising from COVID-19. No asset impairments have been recorded as the Fund's investments are classified as level 1 in the fair value hierarchy (as defined in note 6) and marked-to-market with reference to quoted prices on stock exchanges. In addition, expected credit losses have remained unchanged on the Fund's receivables, which comprise interest on cash balances and dividends, as they have since been collected or the counterparties have been assessed to have strong credit ratings. Furthermore, no other material assets or liabilities of the Fund involved forward-looking information or variables impacted by COVID-19.

In preparing these financial statements, the Directors have taken into account the impacts of COVID-19 in making judgements, estimates and assumptions that affect the amounts reported in the financial statements. The estimates and judgements are continually evaluated and are based on historical experience and various other factors, including reasonable expectations of future events. As such, actual results could differ from those estimates.

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements for the year ended 30 June 2020

1. Basis Of Preparation (continued)

g) Critical Accounting Estimates And Judgements (continued)

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 12c). 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.

2. Distributions To Unitholders

	30 June 2020 \$'000	30 June 2019 \$'000
Final distribution payable to unitholders	68,003	41,745
Total Distribution To Unitholders	68,003	41,745
The total distribution / attribution consisted of:		
Income	80,733	11,613
Return of capital	-	30,132
AMIT cost base net increase	(12,730)	-
Total Distribution (Cents Per Unit)	16.00	11.00
Total Attribution (Cents Per Unit)	19.00	11.63

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's Product Disclosure Statement. Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Unrealised gains and losses on financial assets and liabilities that are recognised as income are transferred to unitholders' equity and are not assessable and distributable until realised. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively.

Distributions to unitholders are recognised directly in equity and presented in the Statement of Changes in Equity. A distribution payable is recognised in the Statement of Financial Position where the distribution has been declared but remains unpaid at balance date.

a) Distribution Reinvestment Plan ("DRP")

A DRP operated in the Fund for the current period. Unitholders may request their distributions to be applied as subscriptions for additional units in the Fund at the Issue Price (as determined by the Fund's Constitution). DRP details for the interim and final dividends are as follows:

	Final Distribution Payable 30 June 2020	Final Distribution Payable 30 June 2019
DRP issue price (final distribution - units issued on payment date) (\$)	3.9186	3.7672
DRP unitholder participation rate (%)	6.41	5.63
Number of units issued under DRP	1,097,852	618,596
Value of units issued under DRP (\$'000)	4,302	2,330

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2020

3. Cash And Cash Equivalents

	30 June 2020 \$'000	30 June 2019 \$'000
Cash at bank - denominated in Australian Dollars	1,267	4,114
Cash at bank - denominated in foreign currency:		
- United States Dollars	255,522	108,222
- British Pounds	19	19
- Euros	16	42
- Hong Kong Dollars	9	-
- Swiss Francs	15	15
Total Cash And Cash Equivalents	256,848	112,412

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

4. Statement Of Cash Flows Reconciliation

	30 June 2020 \$'000	30 June 2019 \$'000
a) Reconciliation Of Cash Flows From Operating Activities		
Profit/(loss)	124,145	227,469
Adjusted for:		
Net changes in fair value of investments	(145,437)	(216,016)
Net (gains)/losses on foreign currency transactions and cash settlements	18,913	(11,072)
Changes in operating receivables and payables		
- Net (increase)/decrease in receivables	(238)	(562)
- Net increase/(decrease) in payables	(712)	(283)
Net Cash Inflows/(Outflows) From Operating Activities	(3,329)	(464)
b) Non-Cash Investing And Financing Activities		
Distributions reinvested into units in the Fund	2,330	3,595

5. Receivables

	30 June 2020 \$'000	30 June 2019 \$'000
Applications receivable	674	1,287
Dividend receivable	356	-
Interest receivable	1	216
Recoverable GST and foreign withholding tax	2,045	1,951
Receivables on spot transactions	-	1
Total Receivables	3,076	3,455

Notes To The Financial Statements

for the year ended 30 June 2020

5. Receivables (continued)

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

Ageing Analysis Of Receivables

At balance date, the Fund's receivables, excluding recoverable GST and foreign withholding tax, were due within 0 to 30 days (June 2019: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2019: 30 to 90 days). Foreign withholding tax is due within 2 to 4 years (June 2019: 2 to 10 years) depending on the jurisdiction. No amounts are impaired or past due at 30 June 2020 or 30 June 2019.

6. Investments

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 set out below 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 level 1 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.

	30 June 2020 \$'000	30 June 2019 \$'000
a) Investments (Level 1)		
- United States	1,030,122	1,037,599
- Switzerland	129,925	108,279
- China	113,600	-
- United Kingdom	79,065	51,476
- Germany	65,805	65,461
- France	19,019	30,062
- Belgium	-	14,842
- Netherlands	-	14,264
Total Investments	1,437,536	1,321,983

The Fund does not hold any level 2 or 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.

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

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2020

6. Investments (continued)

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

The fair value of equity securities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Fund is the closing price for the security as quoted on the relevant stock exchange. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques including recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques commonly used by market participants.

The equity securities by domicile of primary stock exchange listing held by the Fund are:

Company Name	Domicile	30 June 2020 Holding	30 June 2019 Holding	30 June 2020 \$'000	30 June 2019 \$'000
Microsoft	United States	466,414	545,179	137,864	104,072
Tencent	China	1,215,796	-	113,600	-
Alibaba Group Holding	United States	360,359	-	112,897	-
Facebook - class A shares	United States	296,223	351,011	97,696	96,537
Alphabet - class C shares	United States	43,744	46,983	89,814	72,368
Reckitt Benckiser	United Kingdom	592,794	456,763	79,065	51,476
Starbucks	United States	676,687	700,194	72,327	83,644
Novartis	Switzerland	559,789	442,284	70,721	57,661
Crown Castle International	United States	277,971	242,174	67,565	44,984
SAP	Germany	324,476	334,037	65,805	65,461
Visa - class A shares	United States	230,125	341,816	64,565	84,535
Xcel Energy	United States	671,516	164,749	60,958	13,966
Nestle	Switzerland	368,761	342,696	59,204	50,618
Eversource Energy	United States	485,833	-	58,759	-
WEC Energy Group	United States	390,223	117,635	49,678	13,975
Pepsico	United States	248,116	196,944	47,663	36,801
Yum! Brands	United States	377,155	359,060	47,609	56,626
MasterCard	United States	102,392	166,458	43,976	62,748
McDonald's	United States	134,014	77,085	35,906	22,811
Estee Lauder	United States	112,188	56,774	30,745	14,814
LVMH	France	29,856	49,491	19,019	30,062
Alphabet - class A shares	United States	5,875	6,302	12,100	9,724
HCA Holdings ^(A)	United States	-	274,843	-	77,516
Apple ^(A)	United States	-	347,030	-	66,844
Oracle ^(A)	United States	-	704,458	-	57,190
American Express ^(A)	United States	-	217,354	-	38,233
Lowe's ^(A)	United States	-	231,686	-	33,316
Berkshire Hathaway ^(A)	United States	-	107,145	-	32,547
Anheuser-Busch ^(A)	Belgium	-	117,498	-	14,842
CME Group ^(A)	United States	-	51,871	-	14,348
Heineken ^(A)	Netherlands	-	89,565	-	14,264
Total Equity Securities				1,437,536	1,321,983

^(A) These investments are no longer held by the Fund at 30 June 2020.

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2020

7. Payables

		30 June 2020 \$'000	30 June 2019 \$'000
Management fees payable	11 c) i)	2,053	1,727
Performance fees payable	11 c) ii)	279	1,318
Due to brokers - payable for securities purchases		-	3,285
Total Payables		2,332	6,330

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

Maturities Of Payables

At 30 June 2020, all payables mature in 0 to 30 days (June 2019: 0 to 30 days).

8. Unitholders' Equity

	30 June 2020 No. of units '000	30 June 2019 No. of units '000
Units On Issue		
Opening balance	379,496	334,812
Units issued	79,839	58,109
Units issued under DRP	619	1,113
Units redeemed	(34,935)	(14,538)
Closing balance	425,019	379,496

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 or redeemed when settled, which is trade date.

Terms And Conditions Of Units

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 Product Disclosure Statement. 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.

Notes To The Financial Statements

for the year ended 30 June 2020

8. Unitholders' Equity (continued)

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 net asset value ("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.

9. 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 share 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.

	30 June 2020 '000	30 June 2019 '000
Basic EPU		
Profit/(loss) attributable to unitholders	124,145	227,469
Weighted average number of units for basic EPU	408,668	356,560
Basic EPU (Cents)	30.38	63.80
Diluted EPU		
Profit/(loss) attributable to unitholders	124,145	227,469
Weighted average number of units for diluted EPU	408,668	356,560
Diluted EPU (Cents)	30.38	63.80
Earnings Reconciliation		
Profit/(loss) used in the calculation of basic and diluted EPU	124,145	227,469

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

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements for the year ended 30 June 2020

10. NAV 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 8).

	30 June 2020 \$	30 June 2019 \$
NAV per unit	3.8284	3.6622

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

11. Related Parties

a) Responsible Entity

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

b) Key Management Personnel

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

The Directors of MAM are considered to be KMP. The Directors of MAM during the year and up to the date of this report are: Dr Brett Cairns, Mr John Eales, Mr Robert Fraser, Mr Paul Lewis, Mr Hamish McLennan, Ms Kirsten Morton and Ms Karen Phin. The Fund did not pay any compensation to the Directors of the Responsible Entity.

c) Responsible Entity Fees

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

i) Management Fees

The Responsible Entity is entitled to receive management fees from the Fund for managing the assets and overseeing the operations of the Fund. The management fee is 1.35% per annum of the value of the Fund, calculated daily. The Responsible Entity pays operating expenses of the Fund, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs. Management fees are calculated daily based on the NAV (before fees) of the Fund on that day and are payable at the end of the month.

ii) Performance Fees

Performance fees are calculated on six monthly calculation periods ending on 30 June and 31 December of each year. The Responsible Entity's entitlement to a performance fee is dependent on the Fund exceeding both index relative and absolute return hurdles over a given calculation period, as well as exceeding the applicable high watermark and an overall cap. Performance fees crystallise at the end of a calculation period. Further details of the performance fees can be found in the Fund's Product Disclosure Statement which is available at www.magellangroup.com.au.

iii) Total Management And Performance Fees

The management and performance fees paid/payable by the Fund are net of any applicable reduced input tax credits (refer Note 1f)). The management and performance fees paid/payable by the Fund are as follows:

	30 June 2020 \$	30 June 2019 \$
Management fees	21,928,960	16,414,646
Performance fees	292,924	1,527,513
Total Fees Expensed In The Statement Of Profit Or Loss And Other Comprehensive Income	22,221,884	17,942,159
Total Fees Payable In The Statement Of Financial Position	2,332,150	3,045,243

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2020

11. Related Parties (continued)

c) Transactions With Related Parties

i) Unit Holdings In The Fund

Number of units held by each KMP, including their personally related parties, in the Fund is as follows:

		Units Acquired During The Year	Units Disposed During The Year	Units Held At End of Year		Distribution Paid Or Payable
		Number	Number	Number	%	\$
MFG	2020	-	-	21,124,753	4.97	3,379,960
	2019	610,982	-	21,124,753	5.57	2,323,723
Directors						
Brett Cairns	2020	1,240	-	43,718	0.01	6,995
	2019	1,228	-	42,478	0.01	4,673

12. Capital And Financial Risk Management

a) Financial Risk Management

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

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

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

b) Concentration Risk

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

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

c) Market Risk

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

i) Equity Price Risk

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

Notes To The Financial Statements

for the year ended 30 June 2020

12. Capital And Financial Risk Management (continued)

i) Equity Price Risk (continued)

An increase of 5% in the market prices of the Fund's investments held at the end of the year, assuming all other variables remain constant, would have increased net operating profit and unitholders' equity as follows:

	30 June 2020 \$'000	30 June 2019 \$'000
Impact on net operating profit and unitholders' equity	71,877	66,099

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

ii) Currency Risk

Currency risk is the risk that the fair value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. Assets and liabilities that the Fund may typically own and that can be affected by foreign exchange rate fluctuations include equities listed on foreign exchanges, cash, forward foreign currency contracts, outstanding broker settlements, and outstanding receipts of income from foreign companies.

The Fund invests in financial assets denominated in currencies other than the Australian Dollar and is therefore exposed to the risk that the movement in the foreign exchange rates will cause fluctuations in profit or loss. The Fund uses forward foreign currency contracts to mitigate this risk by hedging the underlying exposure to financial assets denominated in currencies other than the Australian Dollar.

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

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

	30 June 2020 \$'000	30 June 2019 \$'000
Assets and liabilities denominated in:		
United States Dollars	1,286,000	1,142,774
Swiss Francs	131,154	109,433
Hong Kong Dollars	113,610	-
Euros	84,894	124,852
British Pounds	79,084	51,495

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2020

12. Capital And Financial Risk Management (continued)

c) Market Risk (continued)

ii) Currency Risk (continued)

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

	30 June 2020		30 June 2019	
	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000
Assets and liabilities denominated in:				
United States Dollars	(61,238)	67,684	(54,418)	60,146
Swiss Francs	(6,245)	6,903	(5,211)	5,760
Hong Kong Dollars	(5,410)	5,979	-	-
Euros	(4,043)	4,468	(5,945)	6,571
British Pounds	(3,766)	4,162	(2,452)	2,710

iii) Interest Rate Risk

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

The primary exposure to interest rates arises on cash balances held by the Fund, which are all held in floating interest rate accounts. Based on the Australian Dollar cash balances and US Dollar cash balances held by the Fund, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would increase the Fund's net operating profit and unitholders' equity at balance date as follows:

	30 June 2020 \$'000	30 June 2019 \$'000
Australian Dollar cash balances	1	4
US Dollar cash balances	256	108
	<u>257</u>	<u>112</u>

A decrease of 10 basis points in floating interest rates would have an equal but opposite effect. The level of cash held by the Fund may vary from time to time, depending on the level of recent capital flows into and out of the Fund, and on the Responsible Entity's judgement. The cash balances held by the Fund as at balance date may therefore not be typical of the amounts of cash generally held by the Fund.

The Fund does not hold significant cash balances exposed to interest rates in other currencies and does not have any borrowings or other financial liabilities or assets with direct exposure to changes in interest rates.

iv) Market Making Risk

The Responsible Entity, on behalf of the Fund, may provide liquidity to investors on the ASX by acting as a buyer and seller of units in the Fund. At the end of each Business Day, the Responsible Entity, on behalf of the Fund, may create or cancel units by applying for or redeeming its net position in units bought or sold on the ASX. The Responsible Entity has appointed an independent market participant to act as its agent to transact and facilitate settlement on its behalf.

Notes To The Financial Statements

for the year ended 30 June 2020

12. Capital And Financial Risk Management (continued)

c) Market Risk (continued)

iv) Market Making Risk (continued)

Market making risk comprises:

- i) the risk that the market making agent makes an error in executing the Fund's market making services. If the market making agent does not fulfil its settlement processing obligations in a correct and timely manner, the Fund could suffer a loss; and
- ii) the risk of an error in the execution of market making activities, or in the price at which units are transacted on the ASX. As many overseas stock exchange markets in which the Fund invests are closed during the ASX trading day, it is not possible for the Responsible Entity to hedge the Fund's market making activities. This may result in either a cost or a benefit to the Fund.

In order to mitigate this risk, the Responsible Entity, on behalf of the Fund, has the discretion to increase the spread at which it makes a market and also has the right to cease making a market subject to its obligations under the AQUA Rules and ASX Operating Rules.

d) Liquidity Risk

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

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

In addition, to manage the Fund's overall liquidity should a significant event occur, the Responsible Entity has the discretion to suspend capital withdrawals from the Fund for up to 28 days if it is impracticable for the Responsible Entity or if the Responsible Entity is unable to calculate the NAV of the Fund, the withdrawal request would reasonably require the Responsible Entity to sell 5% or more (by value of the net assets of the Fund), the payment of withdrawals would disadvantage remaining unitholders by imposing a disproportionate share of capital gains tax liabilities, or if the Responsible Entity reasonably considers it to be in the interests of remaining unitholders of the Fund.

At balance date, the Fund had an obligation to settle payables (including distribution payable) of \$70,336,000 (June 2019: \$48,075,000) maturing in less than one month (June 2019: less than one month). The Fund had cash and receivables totalling \$259,924,000 (June 2019: \$115,867,000) to cover these liabilities.

e) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities when valued at fair value.

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

The Fund uses derivative financial instruments for currency hedging purposes. Derivatives are not used to gear (leverage) the portfolio. The Fund may have credit risk arising from forward foreign currency positions if the market value of those positions is positive. At balance date, the Fund held no derivative assets and liabilities (June 2019: \$nil).

The Responsible Entity has appointed The Northern Trust Company ("NT") as the custodian of the Fund. In acting as custodian, NT is required to comply with the relevant provisions of the *Corporations Act 2001*, applicable ASIC regulatory guides, legislative instruments and class orders relating to registered managed investment scheme property arrangements with custodians. The credit quality of NT's senior debt is rated at balance date, by Standard and Poor's as A+ and by Moody's as A2 (June 2019: Standard and Poor's as A+ and by Moody's as A2).

At balance date, the Fund's maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statement Of Financial Position.

Notes To The Financial Statements

for the year ended 30 June 2020

13. 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 Dr Brett Cairns.

14. Auditor’s Remuneration

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

	30 June 2020 \$	30 June 2019 \$
Audit Services		
Audit and review of financial reports	26,800	26,500
Other assurance services	1,267	1,364
Non-Audit Services		
Taxation	6,700	6,700
Total Auditor's Remuneration of Ernst & Young Australia	34,767	34,564

15. Contingent Assets, Contingent Liabilities And Commitments

At balance date, the Fund has no contingent assets, contingent liabilities or commitments (June 2019: nil).

16. Subsequent Events

On 3 August 2020, MAM announced a restructure proposal to simplify the Global Equities retail product offering. The restructure is proposed to occur via a consolidation of the unlisted, open-ended, Magellan Global Fund (“MGF”); the listed, open-ended, Magellan Global Equities Fund (“MGE”); and the listed, closed-ended Magellan Global Trust (“MGG”) into a single fund with two unit classes – an Open Class and a Closed Class. The units of the merged trust, MGF, are intended to be quoted on the ASX.

The proposed transaction will involve a unitholder vote to amend the constitution of the MGF to facilitate the issue of closed-ended units and the quotation of the unit classes on ASX. Under the terms of two separate but inter-conditional trust schemes the MGF will, subject to the approval of the respective unitholders, acquire MGE and MGG on a unit-for-unit basis at net asset value (“NAV”). Under the proposed restructure, unitholders in the MGF will continue to hold their existing open-ended units. Unitholders in MGE will be offered open-ended units in the MGF. Unitholders in MGG will be offered closed-ended units in the MGF.

Post completion of the restructure, the enlarged MGF intends to undertake a one-for-four entitlement offer to its unitholders to subscribe for new Closed Class Units with an attached bonus three-year option. Unitholders will have the ability to subscribe for new Closed Class Units under the entitlement offer at the prevailing NAV per Unit and receive a valuable partnership benefit in the form of additional Closed Class Units worth 7.5% of the value of their subscription. Applicants who are allotted new Closed Class Units will also receive one option for each new Closed Class Unit issued under the entitlement offer with each option exercisable into one Closed Class Unit at an exercise price set at a 7.5% discount to the prevailing NAV per Unit at the time of exercise.

In addition to the entitlement offer above, MGF also proposes to issue a bonus option to Closed Class unitholders in Magellan Global Fund on the basis of one option for every two Closed Class Units held, with each option exercisable into one Closed Class Unit at an exercise price set at a 7.5% discount to the prevailing NAV per Unit at the time of exercise.

Notes To The Financial Statements

for the year ended 30 June 2020

16. Subsequent Events (continued)

Magellan Financial Group will pay the full costs of implementing the restructure and compensate MGF for the partnership benefits being offered under the entitlement offer and upon exercise of any options.

Additional information about the proposed restructure and relevant approvals, together with further details will be set out in the explanatory memorandum that will be provided to unitholders in advance of the meetings. Those meetings are expected to be convened in Q4 2020.

In a release to the ASX on 6 August 2020, the Fund reported a NAV per unit of \$3.8633 and 431,092,890 units on issue as at 31 July 2020.

Other than the items disclosed throughout this Financial Report and the above there have been no matters or circumstances arising after the end of the year 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 daily unit prices are available on the Magellan Financial Group Limited website, www.magellangroup.com.au and also the ASX website.

MAGELLAN GLOBAL EQUITIES FUND

Directors' Declaration for the year ended 30 June 2020

In the opinion of the Directors,

- a) the financial statements and notes of Magellan Global Equities Fund as set out on pages 10 to 28 are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the financial position of the Fund as at 30 June 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 has been made after receiving the declarations from the Chief Executive Officer and Chief Financial Officer which 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, 24 August 2020

Independent Auditor's Review Report to the members of Magellan Global Equities Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Magellan Global Equities Fund (the Fund), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Why significant	How our audit addressed the key audit matter
<p>1. Investment existence and valuation</p> <p>The Fund has a significant investment portfolio consisting primarily of listed equities. As at 30 June 2020, the value of these listed equities, was \$1,437,536,000 which equates to 85% of the total assets of the Fund.</p> <p>As detailed in Fund's accounting policy, described in Note 6 of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.</p> <p>Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.</p>	<p>We assessed the effectiveness of the controls relating to the recognition and valuation of investments;</p> <p>We obtained and considered the assurance reports on the controls of the Fund's custodian and administrators in relation to investment management services and considered the auditor's qualifications and objectivity and results of their procedures;</p> <p>We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2020;</p> <p>We assessed the fair value of all investments in the portfolio held at 30 June 2020 to independent market price sources; and</p> <p>We assessed the adequacy of the disclosures in Note 6 of the financial report.</p>
<p>2. Management and performance fees</p> <p>Management and performance fees, paid to the investment manager, Magellan Asset Management Limited, are the most significant expense for the Fund.</p> <p>The Fund's accounting policy for management and performance fees is described in Note 11 to the financial report. All expenses are recognised on an accruals basis, with performance fees recognised in the financial report if the performance hurdles for the Fund have been met at the end of the relevant measurement period, which is the date that the criteria have been met and the liability has been crystallised.</p> <p>As at 30 June 2020, management and performance fees totalled \$22,222,000 which equates to 88% of total expenses. Of this amount, performance fees (excluding GST recovered) totalled \$293,000 which equates to 1% of total expenses.</p> <p>Due to the complexity of the arrangements and the quantum of the amounts involved, this was considered to be a key audit matter.</p>	<p>We assessed the effectiveness of the controls in relation to the calculation of management and performance fees;</p> <p>We obtained and considered the assurance report on the controls of the Fund's administrator in relation to Fund Administration Services for the period ended 30 June 2020 and considered the auditor's qualifications and objectivity and results of their procedures;</p> <p>We recalculated management fees in accordance with contractual arrangements;</p> <p>We assessed the performance fee calculations, including testing the inputs into the calculation model and assessed whether the calculation was in line with the relevant agreements; and</p> <p>We assessed the adequacy of the disclosures in Note 11c of the financial report.</p>

Information Other than the Financial Report and Auditor's Report

The Directors of Magellan Asset Management Limited (the "Responsible Entity") are responsible for the other information. The other information comprises the information included in Fund's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

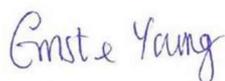
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication



Ernst & Young



Clare Sporle
Partner

Sydney, 24 August 2020

MAGELLAN GLOBAL EQUITIES FUND

Unitholder Information

Distribution Of Unitholders

The distribution of unitholders of the Fund as at 13 August 2020 is presented as follows:

Distribution Of Holdings	Number Of Unit Holders	Number Of Units	Percentage Of Units On Issue %
1-1,000	2,266	1,111,000	0.26
1,001-5,000	7,478	22,383,173	5.17
5,001-10,000	6,385	47,059,047	10.88
10,001-100,000	9,617	225,547,563	52.13
100,001 and over	216	136,553,933	31.56
Total	25,962	432,654,716	100.00
Number of holders with less than a marketable parcel of units	149	11,027	0.00

Twenty Largest Unitholders

The names of the 20 largest unitholders in the Fund as at 13 August 2020 are listed as follows:

Holder Name	Number Of Units	Percentage Of Units On Issue %
Magellan Financial Group Limited	21,124,753	4.88
HSBC Custody Nominees (Australia) Limited	20,455,439	4.73
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	12,759,368	2.95
Citicorp Nominees Pty Limited	8,894,253	2.06
Netwealth Investments Limited (Wrap Services)	6,717,355	1.55
Nulis Nominees (Australia) Limited	6,096,349	1.41
Australian Executor Trustees Limited	4,501,354	1.04
Netwealth Investments Limited (Super Services)	4,493,682	1.04
Navigator Australia Ltd	3,660,373	0.85
Mutual Trust Pty Ltd	2,236,783	0.52
Albert Investments Pty Ltd	1,981,123	0.46
Farrar Superannuation Pty Ltd	1,917,208	0.44
HSBC Custody Nominees (Australia) Limited - A/C 2	1,867,221	0.43
Magnet Investments Pty Ltd	1,129,306	0.26
Australian Executor Trustees Limited (IPS IDPS)	1,125,161	0.26
J P Morgan Nominees Australia Pty Limited	1,106,294	0.26
Himstedt & Co Pty Ltd	762,070	0.18
Equitas Nominees Pty Limited	725,130	0.17
BPC Custody Pty Ltd	660,071	0.15
Midas Touch Investments P/L	587,069	0.14
Total Units Held By The 20 Largest Unitholders	102,800,362	23.78
Total Units On Issue	432,654,716	100.00

Units

All issued units carry one vote per unit and the right to distributions.

Stock Exchange Listing

The Fund's ASX code is "MGE" for its units.

Corporate Information

Directors Of The Responsible Entity

Brett Cairns (Chief Executive Officer)
John Eales
Robert Fraser (Chairman)
Paul Lewis
Hamish McLennan
Kirsten Morton (Chief Financial Officer)
Karen Phin

Company Secretary Of The Responsible Entity

Marcia Venegas

Registered Office

Level 36, 19 Martin Place
Sydney NSW 2000
Telephone: +61 2 9235 4888
Fax: +61 2 9235 4800
Email: info@magellangroup.com.au

Auditor

Ernst & Young
200 George Street
Sydney NSW 2000

Unit Registrar

LINK Market Services Limited
Level 12
680 George Street NSW 2000
Telephone: 1800 206 847
Fax: +61 2 9287 0303
Email: magellan@linkmarketservices.com.au

Securities Exchange Listing

Australian Securities Exchange
ASX Code: MGE

Website

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