



MAGELLAN
ASSET MANAGEMENT LIMITED

Interim Financial Report

for the half year ended 31 December 2016

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED) (Managed Fund): ARSN 606 840 206

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

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MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Chairman's Report

for the half year ended 31 December 2016

Dear Unitholders,

We are pleased to present the interim financial report for Magellan Global Equities Fund (Currency Hedged) (Managed Fund) ("MHG" or the "Fund"). MHG is a managed investment scheme for which Magellan Asset Management Limited ("Magellan") acts as both Responsible Entity and Investment Manager.

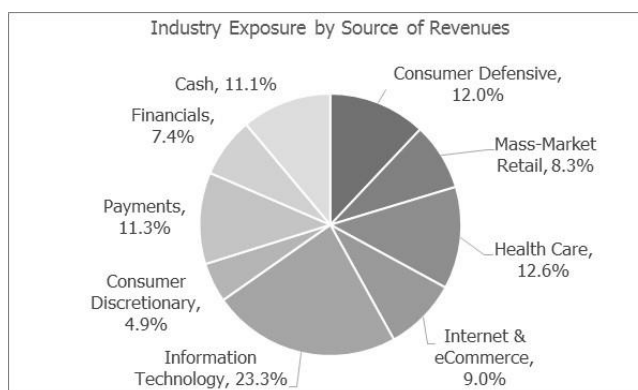
MHG is quoted on the ASX (code: MHG) and commenced trading on 10 August 2015. As at 31 December 2016, MHG had net assets of \$42 million and a net asset value of \$2.5156 per unit.

MHG's portfolio is actively managed by Magellan and is the currency hedged version of the Magellan Global Equities Fund (ASX code: MGE). For the six months to 31 December 2016, the Fund returned 7.8% net of fees. Magellan 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 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.

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

As at 31 December 2016, the Fund consisted of investments in 26 companies, with the top 10 investments (listed below) representing 46.3% of the Fund. The Fund's cash position was 11.1% which was predominantly held in Australian Dollars. The Fund's industry exposure by source of revenues is highlighted below.

Top 10 holdings (as at 31 December 2016)	% of Fund
Apple Inc	6.9
Alphabet Inc	5.1
Visa Inc	4.9
Lowe's Co Inc	4.9
Microsoft Corp	4.8
Wells Fargo & Co	4.7
eBay Inc	3.9
CVS Health Corp	3.8
McDonald's Corp	3.7
Oracle Corp	3.6
Top 10 Total	46.3



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

Brett Cairns
Executive Chairman
2 March 2017

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Responsible Entity's Report for the half year ended 31 December 2016

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 its report for the half year ended 31 December 2016.

1.0 Directors

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

Name	Directorship	Appointed
Brett Cairns	Executive Chairman	22 Jan 2007
Hamish Douglass	CEO and Chief Investment Officer	21 Nov 2006
Robert Fraser	Non-Executive Director and Senior Independent Director	23 Apr 2014
Paul Lewis	Non-Executive Director	20 Dec 2006
Hamish McLennan	Non-Executive Director	1 Mar 2016
Karen Phin	Non-Executive Director	23 Apr 2014

1.1 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 MHG).

MHG is a currency hedged version of the ASX quoted Magellan Global Equities Fund (ASX ticker code: MGE) and invests in a portfolio of between 20 and 40 high quality global equity stocks. It has the ability to manage equity market risk by holding up to 20% of its net assets in cash and currency exposure is substantially hedged to Australian dollars.

The Fund's investment objective is 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 Product Disclosure Statement, issued 7 July 2016 and the Constitution).

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

1.2 Significant Changes in State of Affairs

There were no significant changes in the nature of the Fund's activities during the half year.

1.3 Distribution

A distribution of 5.0 cents per unit, amounting to \$622,000, for the year ended 30 June 2016 was paid on 29 July 2016. No distribution was declared for the half year ended 31 December 2016.

1.4 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 half year ended 31 December 2016, was as follows:

	31 Dec 2016	14 Jul to 31 Dec 2015 (A)
Results		
Total net investment income (\$'000)	2,888	(285)
Total expenses (\$'000)	299	113
Net operating profit/(loss) (\$'000)	2,589	(398)
Net asset value per unit (\$)	2.5156	2.4341

(A) The Fund was registered on 14 July 2015 and commenced trading on 10 August 2015.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Responsible Entity's Report for the half year ended 31 December 2016

1.4 Review of Financial Results and Operations (continued)

b) Total Indirect Cost Ratio

The Total Indirect Cost Ratio (ICR) is the ratio of the Fund's actual management costs over the average gross assets attributable to unitholders, for the periods presented below, expressed as a percentage. Management costs include management fees and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax. Management costs are accrued within the Fund's unit price on a daily basis.

The ICR of the Fund is below:

	6 months to 31 Dec 2016	6 months to 31 Dec 2015 (A)	12 months to 31 Dec 2016
Indirect cost ratio			
Management fee (%)	0.67	0.56	1.35
Performance fee (%)	-	-	-
Total indirect cost ratio (%)	0.67	0.56	1.35

(A) The Fund commenced trading on 10 August 2015 ("inception"). The ICR is the ratio of the Fund's actual management costs over the average gross assets attributable to unitholders from inception to 31 December 2015 expressed as a percentage. The annual base management fee is 1.35%.p.a.

c) Performance Returns

The performance returns shown in the table below are for the 6 and 12 month periods ended 31 December 2016 and the 6 month period ended 31 December 2015, and have been calculated using the net asset value per unit for the Fund, which is after fees and expenses, assuming reinvestment of distributions. The returns are calculated daily, compounded to produce longer period returns.

	6 months to 31 Dec 2016	6 months to 31 Dec 2015 (A)	12 months to 31 Dec 2016
Performance			
Growth return ^(B)	7.8	(2.6)	3.3
Distribution return ^(C)	-	-	2.3
Total return ^(D)	7.8	(2.6)	5.6

(A) The Fund commenced trading on 10 August 2015 ("inception").

(B) The Growth return is calculated as a percentage by dividing the end of period net asset value per unit by the net asset value per unit at the start of the period (with the exception of the 6 months to 31 Dec 2015 where the start of the period is inception) minus 1.

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

(D) The Total return is calculated as a percentage by dividing the end of period net asset value per unit (cum-distribution) by the net asset value per unit at the start of the period (with the exception of the 6 months to 31 Dec 2015 where the start of the period is inception) minus 1.

Performance fees are calculated on six monthly calculation periods ending on 30 June and 31 December of each calendar 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, or from the commencement of the Fund to 30 June 2016 in the case of the first performance fee 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.

d) 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.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Responsible Entity's Report for the half year ended 31 December 2016

1.4 Review of Financial Results and Operations (continued)

d) Strategy and Future Outlook (continued)

As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement of expected results of operations. The Fund provides a daily net asset value per unit, quarterly portfolio disclosure and six monthly investor reports which can be found in the Magellan Funds section of the Magellan Financial Group Limited 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.

1.5 Interest in the Fund

The movement in units on issue in the Fund for the half year ended 31 December 2016 is disclosed in note 4 to the financial statements.

As at 31 December 2016, the net assets attributable to unitholders of the Fund are \$41,801,000.

1.6 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 method of operating the Fund is not expected to change in the foreseeable future however the results of the Fund's operations may be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and past returns should not be used to predict future returns.

1.7 Events Subsequent to the End of the Period

In the release to the ASX on 3 February 2017, the Fund reported a net asset value per unit of \$2.5606 and 16,516,961 units on issue as at 31 January 2017.

Other than the above, there have been no matters or circumstances arising after the end of the half year that have significantly affected, or may significantly affect, the Fund's operations in future financial years, the results of its operations, or the Fund's state of affairs in future financial years. 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.

1.8 Rounding of Amounts

The Fund is of a kind referred to in the *Australian Securities & Investments Commission's Corporations (Rounding in Financial/Responsible Entity's Reports) Instrument 2016/191* and consequently amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

1.9 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

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



Brett Cairns
Executive Chairman

Sydney, 2 March 2017

Auditor's Independence Declaration



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

As lead auditor for the review of Magellan Global Equities Fund (Currency Hedged) for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Rita Da Silva
Partner
2 March 2017

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2016

	Note	31 Dec 2016	14 Jul to 31 Dec 2015 (A)
		\$'000	\$'000
Investment income			
Dividend and distribution income		247	101
Interest income		36	19
Net change in fair value of investments held for trading		(954)	8
Net change in fair value of investments designated at fair value through profit or loss		3,567	(354)
Net foreign exchange gain/(loss) on foreign currency cash and settlements		(8)	(59)
Total net investment income		2,888	(285)
Expenses			
Management fees		256	93
Settlement processing fees		5	3
Brokerage costs		4	4
Withholding tax on dividends		34	13
Total expenses		299	113
Net operating profit/(loss)		2,589	(398)
Finance costs attributable to unitholders			
Distributions to unitholders	2	-	-
(Increase)/decrease in net assets attributable to unitholders	4 b)	(2,589)	398
Profit/(loss) for the period		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		-	-

^(A) The Fund was registered on 14 July 2015 and commenced trading on 10 August 2015. As a result the prior period comparative covers 14 July 2015 to 31 December 2015.

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

Earnings per unit for the period ended 31 December 2016 was \$nil. The Fund has nil equity as units issued by the Fund are classified as financial liabilities.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Statement of Financial Position as at 31 December 2016

	Note	31 Dec 2016 \$'000	30 June 2016 \$'000
Assets			
Cash and cash equivalents		5,892	4,850
Receivables		24	64
Investments	3	37,198	24,810
Total assets		43,114	29,724
Liabilities			
Financial liabilities held for trading		1,261	-
Distribution payable		-	622
Payables		52	33
Total liabilities (excluding net assets attributable to unitholders)		1,313	655
Net assets attributable to unitholders	4 b)	41,801	29,069

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

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Statement of Changes in Equity

for the half year ended 31 December 2016

Under Australian Accounting Standards, the net assets attributable to unitholders are classified as a liability. As a result the Fund has no equity for financial reporting purposes and there are no changes in equity at the start or end of the half year.

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

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Statement of Cash Flows for the half year ended 31 December 2016

	Note	31 Dec 2016	14 Jul to 31 Dec 2015 (A)
		\$'000	\$'000
Cash flows from operating activities			
Dividends and distributions received		249	100
Interest received		35	15
Management fees paid		(237)	(71)
Settlement processing fees paid		(5)	(3)
Withholding tax paid		(34)	(13)
Other expenses paid		(5)	(9)
Net cash inflows/(outflows) from operating activities		3	19
Cash flows from investing activities			
Proceeds from sale of investments		9,546	2,633
Purchase of investments		(18,705)	(18,833)
Net foreign exchange gains/(losses)		(89)	(25)
Net cash flows from foreign exchange hedging activities		726	(52)
Net cash inflows/(outflows) from investing activities		(8,522)	(16,277)
Cash flows from financing activities			
Receipts from issue of units	4 b)	16,999	20,529
Payments for redemption of units	4 b)	(6,815)	(1,177)
Distributions paid		(622)	-
Net cash inflows/(outflows) from financing activities		9,562	19,352
Net increase/(decrease) in cash and cash equivalents		1,043	3,094
Cash and cash equivalents at the beginning of the period		4,850	-
Effect of exchange rate fluctuations on cash and cash		(1)	-
Cash and cash equivalents at the end of the period		5,892	3,094

(A) The Fund was registered on 14 July 2015 and commenced trading on 10 August 2015. As a result the prior period comparative covers 14 July 2015 to 31 December 2015.

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

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Notes to the Financial Statements for the half year ended 31 December 2016

1. Summary of Significant Accounting Policies

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 80th anniversary of the date of commencement, unless terminated earlier in accordance with the Fund's Constitution.

Magellan Asset Management Limited (ABN 31 120 593 946) is the Responsible Entity of the Fund.

The interim financial report was authorised for issue by the Directors of the Responsible Entity on 2 March 2017. The Directors have the power to amend and reissue this financial report.

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of Preparation

The interim financial report is a general purpose financial report 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. It is presented in Australian dollars.

The Fund is a for-profit unit trust for the purpose of preparing the financial report.

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 and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months in relation to these balances cannot be reliably determined.

The interim financial report does not include all the information and disclosures normally included in the Fund's annual financial report. Accordingly, this report should be read in conjunction with the Fund's 30 June 2016 Annual Report and any public announcements made during the period.

Changes in accounting policy, accounting standards and interpretations

The accounting policies are consistent with those of the previous financial year and corresponding reporting period except for the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2016. None of the new standards or amendments affected any of the amounts of the disclosures in the current or prior year.

The Australian and International Accounting Standards issued, but not yet mandatory, for the 31 December 2016 reporting period have not been adopted by the Fund in the preparation of this interim financial report. An assessment of the impact of the new standards and interpretations, which may have a material impact on the Fund, is set out below:

- **AASB 9: Financial Instruments (AASB 9) (effective 1 July 2018)**

AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new requirements the four current categories of financial assets will be replaced with two measurement categories: fair value and amortised cost. Financial assets will only be measured at amortised cost where very specific conditions are met. Equity securities are measured at fair value through profit or loss unless an election is made at initial recognition, to present fair value changes in other comprehensive income. This option is irrevocable and applies only to equity instruments which are not held for trading. Gains and losses in other comprehensive income are not recycled on disposal of the securities, however the cumulative gain or loss may be transferred within equity.

AASB 9 was revised in December 2014 to include new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. It also introduced a new expected-loss impairment model that requires credit losses to be recognised when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Notes to the Financial Statements for the half year ended 31 December 2016

1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Changes in accounting policy, accounting standards and interpretations (continued)

- **AASB 9: Financial Instruments (AASB 9), AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective 1 July 2018) (continued)**

AASB 9 was revised in December 2014 to include new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. It also introduced a new expected-loss impairment model that requires credit losses to be recognised when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

At 31 December 2016, no material financial impact is expected on adoption of AASB 9 as the Fund currently classifies financial assets and financial liabilities at fair value. The Fund does not apply hedge accounting. The Fund continues to evaluate the disclosure requirements of this standard.

- **AASB 15: Revenue from Contracts with Customers (effective 1 July 2017) (AASB 15)**

AASB 15 supersedes the revenue recognition guidance in AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates. The core principle in AASB 15 is that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for selling goods or services to customers.

The Fund has undertaken an assessment of the impact of AASB 15. Based on the assessment completed to date, the Fund does not expect any material change to the timing or manner of recognition of its key revenues as interest revenue, dividend and distribution income and investment gains are excluded from the scope of AASB 15. The Fund will continue to assess the disclosure requirements of AASB 15 so as to understand the extent of any impact on the current systems, processes and controls.

There are no other pronouncements or accounting standards, not yet effective at this time, that are expected to have a material impact on the financial statements in future reporting periods.

b) Rounding of Amounts

The Fund is of a kind referred to in the *Australian Securities & Investments Commission's Corporations (Rounding in Financial/Responsible Entity's Reports) Instrument 2016/191* and 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.

c) Critical Accounting Estimates and Judgements

The preparation of the 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, the result of which forms the basis of the carrying values of assets and liabilities. As such, 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 reporting date (refer to note 3 a)). Fair values may however move materially with movements in market prices. As the 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

On 24 June 2016, the Directors declared a distribution of 5.0 cents per unit, amounting to \$622,000 (income distribution of \$398,000 and return of capital of \$224,000) for the period ended 30 June 2016. The distribution was paid on 29 July 2016 and the DRP issue price for the year ended 30 June 2016 was \$2.4073, as announced on 18 July 2016 to the ASX. No distribution was declared for the period ended 31 December 2016.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Notes to the Financial Statements for the half year ended 31 December 2016

3. Investments

	31 Dec 2016 \$'000	30 June 2016 \$'000
Financial assets designated at fair value through profit or loss		
Australian listed equity securities	240	618
International listed equity securities		
- United States	29,932	19,925
- Switzerland	2,768	1,327
- United Kingdom	2,418	1,608
- France	1,242	912
- China	598	-
Total financial assets designated at fair value through profit or loss	37,198	24,390
Financial assets held for trading		
Foreign currency forward contracts	-	420
Total financial assets held for trading	-	420
Total financial assets	37,198	24,810
Financial liabilities held for trading		
Foreign currency forward contracts	1,261	-
Total financial liabilities held for trading	1,261	-
Total investments	35,937	24,810

The top 10 investments by domicile of primary stock exchange, held by the Fund are:

Company name	Domicile of Principal Exchange Listing	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Apple Inc	United States	2,880	1,730
Alphabet Inc	United States	2,116	1,356
Visa Inc	United States	2,066	1,417
Lowe's Co Inc	United States	2,031	1,282
Microsoft Corp	United States	1,988	1,601
Wells Fargo & Co	United States	1,981	-
eBay Inc	United States	1,635	1,154
CVS Health Corp	United States	1,612	1,149
McDonald's Corp	United States	1,529	-
Oracle Corp	United States	1,520	1,318
Yum! Brands Inc ^(A)	United States	-	1,379
Intel Corp ^(A)	United States	-	1,189
Total top 10 holdings		19,358	13,575
Other companies		17,840	10,815
Total investments		37,198	24,390

^(A) These investments continue to be held by the Fund as at 31 December 2016 though they are outside the top 10 holdings as at this date and are therefore included in the Other companies subtotal in the above table as at 31 December 2016.

a) Fair Value Disclosures

The Fund classifies the fair value measurements of financial assets and financial liabilities using the three level fair value hierarchy set out below to reflect the source of valuation inputs used when determining the fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing bid price for the security as quoted on the relevant exchange;

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Notes to the Financial Statements for the half year ended 31 December 2016

3. Investments (continued)

a) Fair Value Disclosures (continued)

- 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 counterparties' current credit worthiness; and
- Level 3: valuation techniques using non-market observable inputs.

The following table presents the Fund's financial assets and financial liabilities measured and recognised at fair value:

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Assets measured at fair value		
Level 1: Investments - valued using quoted price ^(A)	37,198	24,390
Level 2: Investments - forward foreign currency contracts	-	420
Total financial assets	37,198	24,810
Liabilities measured at fair value		
Level 2: Investments - forward foreign currency contracts	(1,261)	-
Total financial liabilities	(1,261)	-

^(A) All Australian and international equity securities held by the Fund are level 1 assets.

There have been no transfers between any of the three levels in the hierarchy during the period ended 31 December 2016 and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels during the half year or previous corresponding period. The Fund does not hold any level 3 assets.

4. Net Assets Attributable to Unitholders

	31 Dec 2016 (A) No. of units '000	30 Jun 2016 (B) No. of units '000
a) Units on issue		
Units on issue as at beginning of the period	12,453	-
Units issued during the period	6,861	13,180
Units redeemed during the period	(2,700)	(727)
Units on issue at the end of the period	16,614	12,453

^(A) The period to 31 December 2016 is for 6 months from 1 July 2016 to 31 December 2016.

^(B) The period to 30 June 2016 is for 12 months from 1 July 2015 to 30 June 2016.

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 share of any distribution determined by the Responsible Entity in proportion to the units held on the distribution date;
- 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.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Notes to the Financial Statements for the half year ended 31 December 2016

4. Net Assets Attributable to Unitholders (continued)

Terms and Conditions of Units (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 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.

	31 Dec 2016 (A) \$'000	30 Jun 2016 (B) \$'000
b) Changes in net assets attributable to unitholders		
Opening balance	29,069	-
Applications	16,958	31,943
Redemptions	(6,815)	(1,723)
Increase/(decrease) in net assets attributable to unitholders	2,589	(1,151)
Closing balance	41,801	29,069

(A) The period to 31 December 2016 is for 6 months from 1 July 2016 to 31 December 2016.

(B) The period to 30 June 2016 is for 12 months from 1 July 2015 to 30 June 2016.

5. Contingent Assets, Contingent Liabilities and Commitments

The Fund has no contingent assets, contingent liabilities or commitments at 31 December 2016 (31 December 2015: nil).

6. Events Subsequent to the End of the Half Year

In the release to the ASX on 3 February 2017, the Fund reported a net asset value per unit of \$2.5606 and 16,516,961 units on issue as at 31 January 2017.

Other than the above, there have been no matters or circumstances arising after the end of the half year that have significantly affected, or may significantly affect, the Fund's operations in future financial years, 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 (CURRENCY HEDGED)

Directors' Declaration for the half year ended 31 December 2016

In the opinion of the Directors,

a) the financial statements and notes of Magellan Global Equities Fund (Currency Hedged) (the Fund) as set out on pages 8 to 16 are in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the financial position of the Fund as at 31 December 2016 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 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.



Brett Cairns
Executive Chairman

2 March 2017

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Independent Auditor's Report



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To the unitholders of Magellan Global Equities Fund (Currency Hedged)

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Magellan Global Equities Fund (Currency Hedged), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Magellan Global Equities Fund (Currency Hedged), ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Independent Auditor's Report



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Magellan Global Equities Fund (Currency Hedged) is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva'.

Rita Da Silva
Partner
Sydney
2 March 2017

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Corporate Information

Directors of the Responsible Entity

Brett Cairns (Chairman)
Hamish Douglass
Robert Fraser
Paul Lewis
Hamish McLennan
Karen Phin

Company Secretary of the Responsible Entity

Geoffrey Stirton

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Securities Exchange Listing

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