



# INTERIM FINANCIAL REPORT

## FOR THE HALF YEAR ENDED 31 DECEMBER 2018

**MAGELLAN GLOBAL TRUST:** ABN 44 740 925 809

# MAGELLAN GLOBAL TRUST

## Contents

Chairman’s Report.....	3
Responsible Entity’s Report.....	4
Auditor’s Independence Declaration.....	8
Statement Of Profit Or Loss And Comprehensive Income.....	9
Statement Of Financial Position.....	10
Statement Of Changes In Equity.....	11
Statement Of Cash Flows.....	12
Notes To The Financial Statements.....	13
1. Basis Of Preparation.....	13
2. Distributions To Unitholders.....	15
3. Investments and Derivatives.....	16
4. Unitholders’ Equity.....	18
5. Earnings Per Unit.....	19
6. NAV Per Unit.....	19
7. Segment Information.....	20
8. Contingent Assets, Contingent Liabilities And Commitments.....	20
9. Events Subsequent To The End Of The Half Year.....	20
Directors’ Declaration.....	21
Independent Auditor’s Report.....	22
Corporate Information.....	24

# MAGELLAN GLOBAL TRUST

## Chairman's Report

for the half year ended 31 December 2018

Dear Unitholders,

We are pleased to present the interim financial report for Magellan Global Trust (the "Fund"). The Fund is a closed end managed investment scheme for which Magellan Asset Management Limited ("Magellan") acts as both Responsible Entity and Investment Manager.

The Fund is quoted on the ASX (code: MGG) and commenced trading on 18 October 2017, after raising \$1,575 million at \$1.50 per unit through an initial public offering. As at 31 December 2018, the Fund had net assets of \$1,650 million and a net asset value of \$1.5663 per unit. The Fund paid a distribution of 3 cents per unit for the six months ended 31 December 2018.

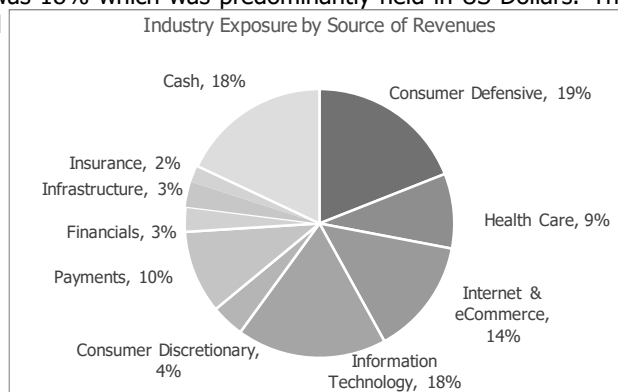
Magellan aims to achieve attractive risk-adjusted returns over the medium to long term for unitholders, while reducing the risk of permanent capital loss. To achieve this, the Fund invests in a portfolio of between 15 and 35 high-quality global equity stocks, as assessed by Magellan, and has the ability to manage equity market risk by holding up to 50% of its net assets in cash. The Fund may also manage its foreign currency exposure arising from investments in overseas markets and as at 31 December 2018 was 40% hedged to the Australian Dollar. Based on net asset value with distributions reinvested, the Fund returned -0.8% net of fees over the six months to 31 December 2018. This compares with the MSCI World Net Total Return Index (AUD) of -4.6% over the same period in what was a volatile market environment.

The Fund also aims to deliver investors a Target Cash Distribution yield of 4% per annum, paid semi-annually. For investors wishing to reinvest distributions, a distribution reinvestment plan ("DRP") has been established with a 5% discount to the net asset value per unit. To ensure investors electing to receive cash are not disadvantaged due to dilution, Magellan Financial Group Limited will pay the Fund a cash amount equal to the discount, to offset the dilutionary impact.

On 29 January 2019, Magellan was pleased to announce a Unit Purchase Plan, allowing eligible unitholders in the Fund to increase their holdings by up to \$15,000 of units. The issue price of these units will be at a 5% discount applied to either the prevailing net asset value per unit at 28 January 2019 (i.e. an issue price of \$1.5327), or to the net asset value per unit at the close of the offer, whichever is lower. Consistent with Magellan's approach to Fund establishment costs and the DRP discount, Magellan Financial Group Limited will pay to the Fund consideration equal to the relevant 5% discount in order to minimise dilution. The offer closes on 6 March 2019.

As at 31 December 2018, the Fund consisted of investments in 19 companies, with the top 10 investments (listed below) representing 55.5% of the Fund. The Fund's cash position was 18% which was predominantly held in US Dollars. The

Top 10 holdings (as at 31 December 2018)	% of Fund
Alphabet - class C shares	7.6
Facebook - class A shares	6.3
HCA Healthcare	6.1
Starbucks	6.1
Apple	5.7
Microsoft	5.6
Visa - class A shares	5.3
Kraft Heinz	4.3
MasterCard	4.3
Oracle	4.2
<b>Top 10 Total</b>	<b>55.5</b>



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

**Brett Cairns**  
Chairman  
27 February 2019

# MAGELLAN GLOBAL TRUST

## Responsible Entity's Report

for the half year ended 31 December 2018

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Magellan Global Trust (the "Fund") present their report on the Fund for the half year ended 31 December 2018.

### 1.0 Directors

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

Name	Directorship	Appointed
Brett Cairns	Chairman and Chief Executive Officer	22 January 2007
Hamish Douglass	Chief Investment Officer <sup>(A)</sup>	21 November 2006
Kirsten Morton	Chief Financial Officer	5 October 2018
John Eales	Non-Executive Director	1 July 2017
Robert Fraser	Non-Executive Director and Senior Independent Director	23 April 2014
Paul Lewis	Non-Executive Director	20 December 2006
Hamish McLennan	Non-Executive Director	1 March 2016
Karen Phin	Non-Executive Director	23 April 2014

<sup>(A)</sup> On 5 October 2018, Mr Douglass resigned as a Director of MAM and was appointed Chairman of Magellan Financial Group Limited ("MFG") the parent company of MAM. Prior to this, Mr Douglass was Chief Executive Officer of MFG. Mr Douglass remains Chief Investment Officer.

### 1.1 Principal Activity

The Fund is a registered managed scheme structured as a closed-end unit trust that is domiciled in Australia and quoted on the Australian Securities Exchange ("ASX") (ticker code: MGG). It was registered on 11 August 2017.

The Fund invests in a portfolio of between 15 and 35 high quality global equity stocks. To achieve this, MAM undertakes rigorous company research to identify what it assesses to be very high quality companies, with an assessment of the macro-economic environment and a disciplined risk controlled approach to portfolio construction.

The Fund's investment objective is to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy (as detailed in the Product Disclosure Statement, issued 21 August 2017).

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

The Fund's principal place of business is Level 36, 19 Martin Place, Sydney, New South Wales 2000.

### 1.2 Background Information On The Fund

The Fund raised \$1.57 billion from an initial public offering ("Offer") on 9 October 2017. The Offer comprised a broker firm/general public offer and a priority offer. The priority offer was available to existing shareholders of MFG and unitholders in Magellan funds as at 1 August 2017. Under the priority offer, eligible unitholders were entitled to additional loyalty units worth 6.25% of the value of their initial unit allotment, providing those units were held on 11 December 2017.

On 12 October 2017, units in the Fund were allotted, and on 18 October 2017, the Fund commenced trading on the ASX.

MGT Investment Corp Pty Limited, a wholly owned company of MFG, subscribed for Class A units of the Fund, to facilitate the issue of the loyalty units to eligible unitholders under the priority offer.

On 11 December 2017, 38,134,220 loyalty units vested to eligible unitholders and these units were subsequently allotted as Ordinary units on 15 January 2018. The remaining 1,613,070 units were retained as an investment by an entity in the Magellan Financial Group.

The costs of the Offer, including the issue of the loyalty units, were paid by MFG which ensured the opening cash Net Trust Value ("NAV") per unit of the Fund on 18 October 2017 was equal to the application unit price of \$1.50.

### 1.3 Significant Changes In State Of Affairs

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

# Responsible Entity's Report

for the half year ended 31 December 2018

## 1.4 Review Of Financial Results And Operations

### a) Financial Results For The Half Year

The performance of the Fund, as represented by the results of its operations for the relevant period ended 31 December was as follows:

	31 December 2018	11 August 2017 to 31 December 2017 <sup>(A)</sup>
<b>Results</b>		
Total net investment income (\$'000)	1,704	74,267
Total expenses (\$'000)	14,445	5,497
<b>Net Operating Profit/(Loss) (\$'000)</b>	<b>(12,741)</b>	<b>68,770</b>
<b>Distributions</b>		
Distribution payable to unitholders (\$'000) (refer (i) below)	31,594	31,495
Distribution payable (cents per unit)	3.00	3.00
<b>Unit Price/NAV Per Unit (\$) <sup>(B)</sup></b>	<b>1.5663</b>	<b>1.5355</b>

<sup>(A)</sup> The Fund was registered on 11 August 2017 and commenced trading on 18 October 2017.

<sup>(B)</sup> The NAV per unit represents the net assets of the Fund presented in the Statement Of Financial Position at reporting date, divided by the number of units on issue at reporting date (refer Note 4 and Note 6 to the financial statements).

(i) A 3.00 cents per unit distribution was declared for the half year ended 31 December 2018 (December 2017: 3.00 cents per unit) and paid on 15 January 2019.

A distribution of 3.00 cents per unit, amounting to \$31,522,000 for the year ended 30 June 2018 was paid on 31 July 2018.

### b) Total Indirect Cost Ratio ("ICR")

The ICR for the six and 12 months ended 31 December, 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, administration and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

	6 months to 31 December 2018 %	12 months to 31 December 2018 %	Inception to 31 December 2017 <sup>(A)</sup> %
<b>Indirect Cost Ratio</b>			
Management and administration fee	0.68	1.35	0.29
Performance fee <sup>(B)</sup>	0.05	0.10	-
<b>Total Indirect Cost Ratio</b>	<b>0.73</b>	<b>1.45</b>	<b>0.29</b>

<sup>(A)</sup> The Fund was registered on 11 August 2017 and commenced trading on 18 October 2017 ("inception").

<sup>(B)</sup> Performance fees are calculated on six monthly measurement periods ending on 31 March and 30 September of each calendar year. The Performance fees component of the ICR is calculated on an accrual basis for each measurement period.

# Responsible Entity's Report

for the half year ended 31 December 2018

## 1.4 Review Of Financial Results And Operations (continued)

### c) Performance Returns

The performance returns shown in the table below 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.

	6 months to 31 December 2018 %	12 months to 31 December 2018 %	Inception to 31 December 2017 <sup>(A)</sup> %
<b>Performance</b>			
Growth return <sup>(B)</sup>	(2.7)	2.0	2.3
Distribution return <sup>(C)</sup>	1.9	3.9	2.0
<b>Total Return <sup>(D)</sup></b>	<b>(0.8)</b>	<b>5.9</b>	<b>4.3</b>

<sup>(A)</sup> The Fund commenced trading on 18 October 2017 ("inception"). As a result, the performance returns were measured from inception to 31 December 2017.

<sup>(B)</sup> The Growth return is calculated daily as a percentage by dividing the NAV per unit (ex-distribution) by the previous day's NAV per unit (ex-distribution) minus 1; the daily Growth returns are then compounded to produce longer period returns.

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

<sup>(D)</sup> The Total return is calculated daily as a percentage by dividing the NAV per unit (cum-distribution) by the previous day's NAV per unit (ex-distribution) minus 1; the daily Total returns are then compounded to produce longer period returns.

Performance fees are calculated on six monthly measurement periods ending on 31 March and 30 September 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 measurement period, as well as exceeding the applicable high watermark and an overall cap. Performance fees crystallise at the end of a measurement 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](http://www.magellangroup.com.au).

### d) Strategy And Future Outlook

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.

As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement of expected results of operations. The Fund provides monthly fund updates, quarterly portfolio disclosure and annual investor reports, which can be found in the Fund Updates section of the MFG website, [www.magellangroup.com.au](http://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 is disclosed in Note 4 to the financial statements.

As at reporting date, total unitholders' equity of the Fund is \$1,649,510,000 (June 2018: \$1,689,789,000).

## 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.

## MAGELLAN GLOBAL TRUST

# Responsible Entity's Report

for the half year ended 31 December 2018

### 1.7 Events Subsequent To The End Of The Half Year

- a) In a release to the ASX on 25 February 2019, the Fund reported a NAV per unit as at 22 February 2019 of \$1.6816.
- b) On 29 January 2019, a Unit Purchase Plan ("UPP Offer") was announced. The UPP Offer is an opportunity for eligible unitholders of the Fund to acquire up to \$15,000 of new, fully paid ordinary units of the Fund without incurring any brokerage, at a price which will be the lower of \$1.5327 (representing a 5% discount to the Fund's NAV per unit on 28 January 2019), and the price which represents a 5% discount to the Fund's NAV per unit on 6 March 2019, the day the Offer closes. The record date for participating in the UPP Offer was 25 January 2019. The maximum permitted number of units issued will be approximately 317,000,000. To minimise dilution, MFG, the parent company of MAM, will pay the Fund an amount of consideration equal to the cost of the 5% discount to the NAV per unit from which the Offer price is determined. It is not practical to estimate the value of units to be issued under the UPP Offer as there is uncertainty as to the level of participation in the UPP Offer and the NAV per unit.

Other than the items disclosed throughout this Interim Financial Report and 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, the results of its operations, or the Fund's state of affairs in future financial years. Asset prices move daily and intraday indicative NAV per unit and daily NAV per unit are available on the MFG website, [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website.

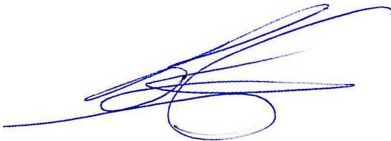
### 1.8 Rounding Of Amounts

The Fund is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Director's 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.

### 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 8.

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



**Brett Cairns**  
Chairman

Sydney, 27 February 2019



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 Trust

As lead auditor for the review of Magellan Global Trust for the period ended 31 December 2018, 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  
27 February 2019



## MAGELLAN GLOBAL TRUST

# Statement Of Profit Or Loss And Comprehensive Income

for the half year ended 31 December 2018

	Note	31 December 2018 \$'000	11 August 2017 to 31 December 2017 <sup>(A)</sup> \$'000
<b>Investment Income</b>			
Dividend and distribution income		10,106	2,818
Interest income		3,119	1,929
Net change in fair value of investments		(29,371)	63,864
Net gains/(losses) on foreign exchange settlements, derivative contracts and cash		17,850	5,656
<b>Total Net Investment Income</b>		1,704	74,267
<b>Expenses</b>			
Management and administration fees		11,972	4,878
Performance fee		859	-
Brokerage costs		36	130
Withholding tax on dividends		1,508	422
Finance costs		70	67
<b>Total Expenses</b>		14,445	5,497
<b>Profit/(Loss) For The Half Year</b>		(12,741)	68,770
Other comprehensive income for the half year		-	-
<b>Total Comprehensive Income For The Half Year</b>		(12,741)	68,770
<b>Basic Earnings Per Unit (cents)</b>	5	(1.21)	6.58
<b>Diluted Earnings Per Unit (cents)</b>	5	(1.21)	6.58

<sup>(A)</sup> The Fund was registered on 11 August 2017 and commenced trading on 18 October 2017. The Fund's previous corresponding reporting period covers 11 August 2017 to 31 December 2017.

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 TRUST

# Statement Of Financial Position

as at 31 December 2018

	Note	31 December 2018 \$'000	30 June 2018 \$'000
<b>Assets</b>			
Cash and cash equivalents		345,404	382,816
Receivables		2,129	23,382
Investments	3 a)	1,353,479	1,340,350
<b>Total Assets</b>		<b>1,701,012</b>	<b>1,746,548</b>
<b>Liabilities</b>			
Derivative liabilities	3 b)	17,560	22,076
Distributions payable	2	31,594	31,522
Payables		2,348	3,161
<b>Total Liabilities</b>		<b>51,502</b>	<b>56,759</b>
<b>Total Unitholders' Equity</b>		<b>1,649,510</b>	<b>1,689,789</b>

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

## MAGELLAN GLOBAL TRUST

# Statement Of Changes In Equity

for the half year ended 31 December 2018

	Note	31 December 2018 \$'000	11 August 2017 to 31 December 2017 <sup>(A)</sup> \$'000
<b>Total Unitholders' Equity At Beginning Of The Half Year</b>		1,689,789	-
Transactions with unitholders in their capacity as owners:			
Ordinary units:			
Units issued - priority offer		-	922,375
Units issued - general and broker offer		-	592,775
Units issued under dividend reinvestment plan		3,976	-
		3,976	1,515,150
Class A units:			
Units issued		-	59,620
MFG contribution to offset dilutionary impact of DRP discount		209	-
Units bought back and cancelled	4 iii)	(129)	-
Distributions payable	2	(31,594)	(31,495)
Total transactions with unitholders for the half year		(27,538)	1,543,275
Comprehensive income for the half year:			
Profit/(Loss) for the half year		(12,741)	68,770
Other comprehensive income for the half year		-	-
Total comprehensive income for the half year		(12,741)	68,770
<b>Total Unitholders' Equity At End Of The Half Year</b>		<b>1,649,510</b>	<b>1,612,045</b>

<sup>(A)</sup> The Fund was registered on 11 August 2017 and commenced trading on 18 October 2017. The Fund's previous corresponding reporting period covers 11 August 2017 to 31 December 2017.

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

# MAGELLAN GLOBAL TRUST

## Statement Of Cash Flows

for the half year ended 31 December 2018

	31 December 2018 \$'000	11 August 2017 to 31 December 2017 \$'000 <sup>(A)</sup>
<b>Cash Flows From Operating Activities</b>		
Dividends and distributions received (net of withholding tax)	8,576	2,395
Interest received	2,979	1,693
Management and administration fees paid	(13,650)	(2,931)
Brokerage costs paid	(36)	(130)
Interest paid	-	(67)
Other expenses paid	(275)	(292)
<b>Net Cash Inflows/(Outflows) From Operating Activities</b>	<b>(2,406)</b>	<b>668</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(192,258)	(1,214,899)
Proceeds from sale of investments	204,635	15,178
Proceeds from close out of equity swap positions		
Net cash flows from settlement of foreign currency contracts	(26,564)	32,219
<b>Net Cash Inflows/(Outflows) From Investing Activities</b>	<b>(14,187)</b>	<b>(1,167,502)</b>
<b>Cash Flows From Financing Activities</b>		
Receipts from issue of units	-	1,574,770
MFG contribution to offset dilutionary impact of DRP discount	209	-
Payments for buyback of units	(129)	-
Distributions paid	(27,546)	-
<b>Net Cash Inflows/(Outflows) From Financing Activities</b>	<b>(27,466)</b>	<b>1,574,770</b>
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>	<b>(44,059)</b>	<b>407,936</b>
Cash and cash equivalents at the beginning of the half year	382,816	-
Effect of exchange rate fluctuations on cash and cash	6,647	(11,585)
<b>Cash And Cash Equivalents At The End Of The Half Year</b>	<b>345,404</b>	<b>396,351</b>

<sup>(A)</sup> The Fund was registered on 11 August 2017 and commenced trading on 18 October 2017. The Fund's previous corresponding reporting period covers 11 August 2017 to 31 December 2017.

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

## MAGELLAN GLOBAL TRUST

# Notes To The Financial Statements

for the half year ended 31 December 2018

### Overview

This condensed interim financial report is for Magellan Global Trust ("the Fund") for the half year ended 31 December 2018.

The Fund is a registered managed scheme structured as a closed-end unit trust that is domiciled in Australia and quoted on the Australian Securities Exchange ("ASX") (ticker code: MGG). The Fund was registered on 11 August 2017 and in accordance with the Fund's Constitution, commenced on the date that the first unit was issued, which was 12 October 2017. The Fund terminates on the earlier of the time provided by the Fund's Constitution or by law.

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

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

### 1. Basis Of Preparation

The condensed interim financial report is a general purpose financial report 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 ("\$") and was approved by the Directors of the Responsible Entity on 27 February 2019. The Directors have the power to amend and reissue this 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. 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 reporting date.

The condensed interim financial report does not include all the information and disclosures normally included in the annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2018 Annual Report and any public announcements made during the half year.

#### a) Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new standards effective as of 1 July 2018 that are described in Note 1 c). The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### b) Adoption Of Attribution Managed Investment Trust ("AMIT") regime

On 5 May 2016, a new tax regime applying to Managed Investment Trusts 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. As announced in the Product Disclosure Statement dated 21 August 2017, the Fund has elected into the AMIT regime effective from the date of registration. The contractual wording in the Fund's Constitution does not give rise to an obligation to distribute income to unit holders.

As a consequence, the units in the Fund meet the definition of equity under AASB 132: *Financial Instruments: Presentation* ("AASB 132"). As a result, equity transactions including distributions have been included in the Statement Of Changes In Equity.

# Notes To The Financial Statements

for the half year ended 31 December 2018

## 1. Basis Of Preparation (continued)

### c) New And Amended Accounting Standards And Interpretations Effective 1 July 2018

The Fund applied, for the first time, from 1 July 2018, AASB 9: *Financial Instruments* ("AASB 9") and AASB 15: *Revenue from Contracts with Customers* ("AASB 15") that require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

- **AASB 9: *Financial Instruments***

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 have been replaced with two measurement categories: fair value and amortised cost, and financial assets will only be measured at amortised cost where very specific conditions are met. AASB 9 also included new hedge accounting requirements and an expected-loss impairment model that requires credit losses to be recognised on a more timely basis.

There was no impact on the Fund upon adoption of AASB 9 on 1 July 2018 as the Fund currently classifies financial assets and financial liabilities at fair value through profit or loss or amortised cost, and the Fund does not apply hedge accounting.

- **AASB 15: *Revenue From Contracts With Customers***

AASB 15 superseded AASB 118: *Revenue*. Although AASB 15 is principles-based, it is a significant change from the previous revenue requirements and involves more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaced the previous notion of risk and rewards.

There was no impact on the Fund upon adoption of AASB 15 on 1 July 2018 as the Fund's revenue recognition of interest, dividend and distribution income, investment gains/(losses) and foreign exchange gains/(losses) was unaffected as these items are excluded from the scope of AASB 15.

Several other amendments and interpretations apply for the first time in the interim reporting period commencing 1 July 2018, but did not result in any adjustments to the amounts recognised in the financial statements or disclosures.

### d) Accounting Policy For Receivables Effective From 1 July 2018

Receivables comprise amounts due from brokers for sales of assets and applications for units in the Fund unsettled at the end of the reporting period, 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, less a provision for expected credit losses. Expected credit losses are based on 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 trade receivables whereby the loss allowance is based on lifetime expected credit losses at each reporting date.

### e) Rounding Of Amounts

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*.

### f) 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. Fair values may however move materially with movements in market prices (refer to further detail in Note 3 c)). 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.

# Notes To The Financial Statements

for the half year ended 31 December 2018

## 2. Distributions To Unitholders

A 3.00 cents per unit distribution amounting to \$31,594,000 was declared for the half year ended 31 December 2018 and was paid on 15 January 2019. This distribution is recognised as a distribution payable in the Statement Of Financial Position at 31 December 2018.

A distribution of 3.00 cents per unit, amounting to \$31,495,000 for the half year ended 31 December 2017 was paid on 16 January 2018.

A final distribution of 3.00 cents per unit, amounting to \$31,522,000 for the year ended 30 June 2018 was paid on 31 July 2018.

### a) Distribution Reinvestment Plan ("DRP")

The Fund's DRP was available to eligible unitholders during the half year ended 31 December 2018.

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

Investors who participate in the DRP received units at an issue price that includes a specified discount to the Net Trust Value ("NAV") per unit. To ensure that unitholders who do not to participate in the DRP suffer no dilution as a result of any discount, Magellan Financial Group Limited ("MFG") will pay the Fund consideration equal to the cost of this discount in accordance with the terms of the MFG Subscription and Commitment Deed. The DRP issue price discount of 5%, in respect of the final distribution for the half year ended 31 December 2018, payable by MFG, is recognised as a receivable in the Statement Of Financial Position.

As the DRP issue price may be set with reference to the NAV per unit, the DRP issue price could be at a premium to the trading price of units on the ASX.

Details of the DRP for the distributions for the relevant period ended 31 December are as follows:

	<b>Interim Distribution 31 December 2018</b>	<b>Interim Distribution 31 December 2017</b>
DRP issue price (\$)	1.4880	1.4637
DRP unitholder participation rate (%)	13.57	12.38
Number of ordinary units issued under DRP	2,752,144	2,664,196
Value of ordinary units issued under DRP (\$'000)	4,095	3,899
DRP 5% issue price discount (\$'000)	215	205
Record date	3 January 2019	29 December 2017
DRP issue date (distribution payment date)	15 January 2019	16 January 2018

## MAGELLAN GLOBAL TRUST

# Notes To The Financial Statements

for the half year ended 31 December 2018

### 3. Investments And Derivatives

	31 December 2018 \$'000	30 June 2018 \$'000
<b>a) Investments</b>		
International listed equity securities		
- United States	1,239,945	1,277,648
- Switzerland	68,518	59,542
- Germany	45,016	-
- United Kingdom	-	3,160
<b>Total Equity Securities</b>	<b>1,353,479</b>	<b>1,340,350</b>
<b>b) Derivative Liabilities</b>		
Forward foreign currency contracts	17,560	22,076
<b>Total Derivative Liabilities</b>	<b>17,560</b>	<b>22,076</b>

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

Company Name	Domicile of Principal Exchange	31 December 2018 Holding	30 June 2018 Holding	31 December 2018 \$'000	30 June 2018 \$'000
Alphabet - class C shares	United States	85,643	80,207	125,984	121,102
Facebook - class A shares	United States	557,548	561,608	103,820	147,690
HCA Healthcare	United States	571,337	636,409	100,998	88,357
Starbucks	United States	1,096,638	1,075,741	100,317	71,124
Apple	United States	420,923	349,415	94,313	86,501
Microsoft	United States	643,885	452,287	92,897	60,364
Visa -class A shares	United States	463,817	467,194	86,926	83,891
Kraft Heinz	United States	1,169,044	1,060,866	71,471	90,185
MasterCard	United States	264,827	266,756	70,965	70,963
Oracle	United States	1,075,751	1,083,584	68,992	64,618
Yum! Brands	United States	503,328	506,993	65,719	53,688
Lowe's	United States	495,171	724,824	64,963	93,775
Wells Fargo	United States	843,076	1,091,082	55,183	81,914
Crown Castle International	United States	339,752	342,226	52,425	49,964
Novartis	Switzerland	428,529	431,649	51,893	44,292
McDonald's	United States	198,508	199,954	50,070	42,413
SAP	Germany	318,906	-	45,016	-
Berkshire	United States	120,341	-	34,902	-
Nestle	Switzerland	144,583	145,635	16,625	15,250
eBay	United States	-	1,020,374	-	50,076
Costco Wholesale	United States	-	74,332	-	21,023
Lloyds Banking Group	United Kingdom	-	2,804,839	-	3,160
<b>Total Equity Securities</b>				<b>1,353,479</b>	<b>1,340,350</b>



## MAGELLAN GLOBAL TRUST

# Notes To The Financial Statements

for the half year ended 31 December 2018

### 3. Investments And Derivatives (continued)

#### c) 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 level 1 securities is based on the closing price <sup>(A)</sup> 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.

<sup>(A)</sup> Prior to 1 July 2018, the fair value of these investments was based on closing bid prices. The impact of the change was not material.

The following table presents the fair value measurement hierarchy of the Fund's financial assets and financial liabilities:

	31 December 2018 \$'000	30 June 2018 \$'000
<b>Financial Assets Measured At Fair Value</b>		
Level 1: Investments - valued using quoted price <sup>(A)</sup>	1,353,479	1,340,350
<b>Total Financial Assets Measured at Fair Value</b>	<b>1,353,479</b>	<b>1,340,350</b>
<b>Financial Liabilities Measured At Fair Value</b>		
Level 2: Forward foreign currency contracts	17,560	22,076
<b>Total Financial Liabilities Measured At Fair Value</b>	<b>17,560</b>	<b>22,076</b>

<sup>(A)</sup> All Australian and international equity securities held by the Fund are level 1 assets.

The Fund does not hold any level 3 assets. There have been no transfers between any of the three levels in the hierarchy during the half year and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period.

# MAGELLAN GLOBAL TRUST

## Notes To The Financial Statements

for the half year ended 31 December 2018

### 4. Unitholders' Equity

	Note	31 December 2018 (A) Number of units '000	30 June 2018 (B) Number of units '000
<b>a) Ordinary Units</b>			
Opening balance		1,050,717	-
Units issued - priority offer		-	614,917
Units issued - general and broker offer		-	395,183
Issue of loyalty units to eligible unitholders under priority offer		-	38,134
Issue on conversion of Class A units		-	1,613
Units issued under DRP	2 a)	2,508	2,664
Units bought back on-market and cancelled	4 iii)	(81)	(1,794)
<b>Total Ordinary Units</b>		<b>1,053,144</b>	<b>1,050,717</b>
<b>b) Class A Units</b>			
Opening balance		-	-
Units issued		-	39,747
Consolidation of Class A units		-	(38,134)
Conversion of Class A units to Ordinary units		-	(1,613)
<b>Total Class A Units</b>		<b>-</b>	<b>-</b>
<b>Total Units</b>		<b>1,053,144</b>	<b>1,050,717</b>

(A) Comprises six months from 1 July 2018 to 31 December 2018.

(B) Comprises the period from 11 August 2017 to 30 June 2018.

#### Terms And Conditions Of Units

##### i) Ordinary Units

Ordinary units are listed on the ASX.

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

- the right to receive a distribution determined in accordance with the provisions of the Fund's Constitution;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Fund.

Redemption of units is not permitted while the Fund is listed on the ASX.

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

##### ii) Class A Units

Class A units had the same terms and conditions as Ordinary units and also ranked equally with Ordinary units, except for the consolidation and conversion to Ordinary units. Class A units were not listed on the ASX.

Unitholders who subscribed under the priority offer were entitled to loyalty units worth 6.25% of the value of their initial unit allotment providing those units were held on 11 December 2017 ("eligible unitholders"). To facilitate the issue of loyalty units, 39,747,290 Class A units were issued on 13 October 2017.

On 11 December 2017, 38,134,220 loyalty units vested to eligible unitholders and these were issued on 15 January 2018. Contemporaneously, 38,134,220 Class A units were consolidated. Following the consolidation, the 1,613,070 residual Class A units were converted into Ordinary units on a one-for-one basis. Following the consolidation and conversion, the number of Class A units on issue was nil and the number of Ordinary units on issue increased by 39,747,290.

# Notes To The Financial Statements

for the half year ended 31 December 2018

## 4. Unitholders' Equity (continued)

### iii) Unit Buyback

On 17 October 2017, the Responsible Entity of the Fund announced its intention to undertake an on-market buyback of up to 101,009,956 units. On 31 August 2018, an announcement was made to extend the on-market buyback to 17 October 2019.

During the half year the Fund purchased on-market and cancelled 81,612 Ordinary units, at a total cost of \$128,602.

### iv) Unit Purchase Plan

On 29 January 2019, a Unit Purchase Plan ("UPP Offer") was announced. The UPP Offer is an opportunity for eligible unitholders of the Fund to acquire up to \$15,000 of new, fully paid ordinary units of the Fund without incurring any brokerage, at a price which will be the lower of \$1.5327 (representing a 5% discount to the Fund's NAV per unit on 28 January 2019), and the price which represents a 5% discount to the Fund's NAV per unit on 6 March 2019, the day the Offer closes. The record date for participating in the UPP Offer was 25 January 2019. The maximum permitted number of units issued will be approximately 317,000,000. To minimise dilution, MFG, the parent company of MAM, will pay the Fund an amount of consideration equal to the cost of the 5% discount to the NAV per unit from which the Offer price is determined. It is not practical to estimate the value of units to be issued under the UPP Offer as there is uncertainty as to the level of participation in the UPP Offer and the NAV per unit.

## 5. Earnings Per Unit ("EPU")

	31 December 2018	11 August 2017 to 31 December <sup>(A)</sup> 2017
<b>Basic EPU</b>		
Profit/(loss) attributable to unitholders (\$'000)	(12,741)	68,770
Weighted average number of units for basic EPU ('000)	1,052,730	1,044,410
<b>Basic EPU (Cents)</b>	<b>(1.21)</b>	<b>6.58</b>
<b>Diluted EPU</b>		
Profit/(loss) attributable to unitholders (\$'000)	(12,741)	68,770
Weighted average number of units for diluted EPU ('000)	1,052,730	1,044,410
<b>Diluted EPU (Cents)</b>	<b>(1.21)</b>	<b>6.58</b>
<b>Earnings Reconciliation</b>		
Profit/(loss) used in the calculation of basic and diluted EPU (\$'000)	(12,741)	68,770

<sup>(A)</sup> The Fund was registered on 11 August 2017 and commenced trading on 18 October 2017.

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

## 6. NAV Per Unit

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

	31 December 2018 \$	30 June 2018 \$ <sup>(A)</sup>
NAV per unit	1.5663	1.6082

<sup>(A)</sup> The NAV per unit at 30 June 2018 differs from the NAV per unit of \$1.6091 reported to the ASX on 2 July 2018 due to the following:

- the Fund's investments were valued by reference to the quoted market bid price at reporting date, in accordance with AASB 13 Fair Value Measurement. For unit pricing purposes, the investments were valued using the last quoted price (refer Note 3 c)).
- accruals for fees and minor expenses of the Fund.

# Notes To The Financial Statements

for the half year ended 31 December 2018

## **7. Segment Information**

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

## **8. Contingent Assets, Contingent Liabilities And Commitments**

The Fund has a contingent asset for the amount receivable from MFG where the Fund offers a discount to the NAV per unit on units issued under the DRP in future periods, in accordance with the terms of the MFG Subscription and Commitment Deed. It is not practical to estimate the future amounts receivable to the Fund as there is uncertainty as to the level of participation in the DRP, the NAV per unit and whether the DRP will be offered (refer Note 2 a)).

Other than the above, the Fund has no other contingent assets, contingent liabilities or commitments at reporting date.

## **9. Events Subsequent To The End Of The Half Year**

In a release to the ASX on 25 February 2019, the Fund reported a NAV per unit as at 22 February 2019 of \$1.6816.

On 29 January 2019, a Unit Purchase Plan was announced (refer Note 4 iv)).

Other than the items disclosed throughout this Interim Financial Report and 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, the results of its operations, or the Fund's state of affairs in future financial years. Asset prices move daily and intraday indicative NAV per unit and daily NAV per unit are available on the MFG website, [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website.

## MAGELLAN GLOBAL TRUST

# Directors' Declaration

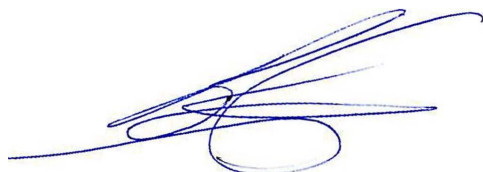
for the half year ended 31 December 2018

In the opinion of the Directors,

- a) the financial statements and notes of Magellan Global Trust as set out on pages 9 to 20 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 2018 and of its performance as represented by the results of its operations and cash flows for the half year ended on that date; and
  - ii) complying 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.



**Brett Cairns**  
Chairman

Sydney, 27 February 2019

# Independent Auditor's Review Report to the Unitholders of Magellan Global Trust

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying interim financial report of Magellan Global Trust (the "Trust"), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the Trust's financial position as at 31 December 2018 and of its financial performance for the period ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Interim Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2018 and its financial performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust, 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*.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

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

Rita Da Silva  
Partner  
Sydney  
27 February 2019

# MAGELLAN GLOBAL TRUST

## Corporate Information

### **Directors Of The Responsible Entity**

Brett Cairns (Chairman and Chief Executive Officer)

Kirsten Morton (Chief Financial Officer)

John Eales

Robert Fraser

Paul Lewis

Hamish McLennan

Karen Phin

### **Company Secretary Of The Responsible Entity**

Geoffrey Stirton

### **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](mailto:info@magellangroup.com.au)

### **Auditor**

Ernst & Young

200 George Street

Sydney NSW 2000

### **Unit Registrar**

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000

Telephone: +61 2 9290 9600

Fax: +61 2 9279 0664

Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

### **Securities Exchange Listing**

Australian Securities Exchange ("ASX")

ASX Code: MGG

### **Website**

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

### **Corporate Governance Statement**

The Corporate Governance Statement for MGG can be found on the Magellan Financial Group Limited website at

<http://www.magellangroup.com.au> under Reports and ASX releases for the Fund.