Fund Update: 31 March 2019

MAGELLAN
EXPERTS IN GLOBAL INVESTING

Magellan High Conviction Fund

ARSN: 164 285 947

Fund Facts

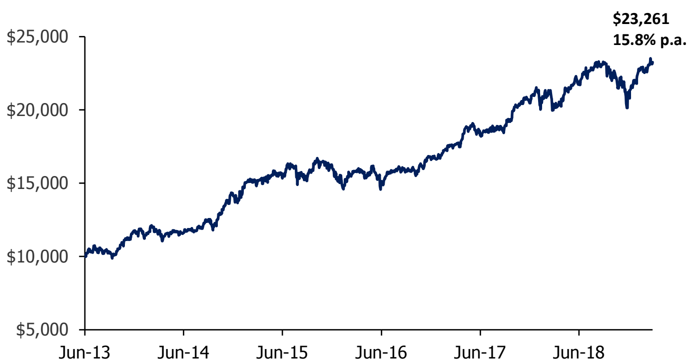
Portfolio Manager	Hamish Douglass and Chris Wheldon
Structure	Global Equity Fund
Inception Date	Magellan High Conviction Fund Class A: 1 July 2013 Magellan High Conviction Fund Class B: 15 November 2017
Management & Administration Fee[1]	Magellan High Conviction Fund Class A: 1.50% per annum Magellan High Conviction Fund Class B: 0.78% per annum
Buy/Sell Spread[1]	0.07%/0.07%
Fund Size[2]	AUD $614.2 million
Distribution Frequency	Annually at 30 June
Performance Fee[1]	Magellan High Conviction Fund Class A: 10.0% of the excess return of the units of the Fund above the Absolute Return performance hurdle (10% per annum). Magellan High Conviction Fund Class B: 20% of the excess return of Class B Units above the Absolute Return performance hurdle (10% per annum). The performance fee for Class B Units is subject to a cap of 2.22% per annum. Performance fees are subject to a high water mark.

[1]All fees are inclusive of the net effect of GST
[2]Includes High Conviction Fund Class A and High Conviction Fund Class B units.

Fund Features

- Unconstrained, long-only, highly concentrated
- High quality global equity strategy
- High individual stock exposure – 8 to 12 stocks
- Ability to actively hedge currency exposures, currently 51% hedged to AUD†
- Maximum cash position of 50%
- Magellan High Conviction Fund Class A $10,000 minimum initial investment; Magellan High Conviction Fund Class B $100,000 minimum initial investment

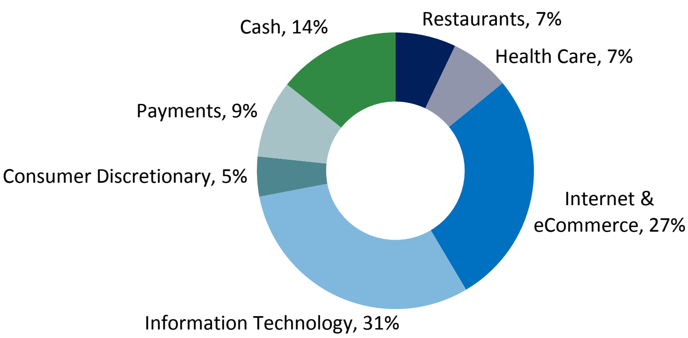
Performance Chart growth of AUD $10,000*



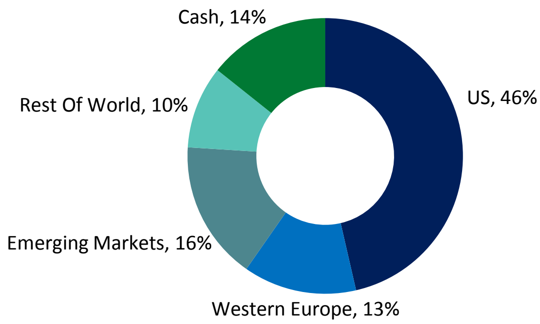
Top 5 Holdings

In alphabetical order	Sector#
Alphabet Inc	Internet & eCommerce
Apple Inc	Information Technology
Facebook Inc-A	Internet & eCommerce
Microsoft Corp	Information Technology
Visa Inc	Payments

Sector Exposure by Source of Revenue#



Geographical Exposure by Source of Revenue#



Fund Performance*

	Magellan High Conviction Fund - Class A (%)	Magellan High Conviction Fund - Class B (%)	Magellan Global Fund (%)	Magellan Global Fund (Hedged) (%)
1 Month	3.1	3.2	3.7	3.6
3 Months	10.0	9.6	10.3	11.2
6 Months	0.3	0.4	2.7	0.8
1 Year	14.1	14.3	20.3	12.3
3 Years (% p.a.)	13.8		14.6	12.4
5 Years (% p.a.)	14.7		14.3	10.7
Since Inception (% p.a.)	15.8	10.3		

† The Fund is currently exercising its ability to hedge some of the capital component of the foreign currency exposure of the Fund arising from investments in overseas markets back to Australian dollars.
* Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Fund Inception 1 July 2013. Magellan High Conviction Class B inception 15 November 2017. Returns denoted in AUD.
# Sectors are internally defined. Geographical exposure is calculated on a look through basis based on underlying revenue exposure of individual companies held within the portfolio. Exposures may not sum to 100% due to rounding.

Market Commentary

Global stocks staged their best quarterly performance in more than eight years in the three months to March after the Federal Reserve signalled that it no longer held to forecasts it issued in December when it indicated it expected to conduct two rate increases in 2019, the US government delayed increasing tariffs on Chinese imports and reports showed the US economy was expanding at a fast-enough pace. The surge overcame rising doubts over the eurozone economy and uncertainty over the UK's departure from the EU. During the quarter, all 11 sectors rose in US-dollar terms. IT (+20%) and real estate (+16%) rose the most while healthcare (+8%) rose the least. The Morgan Stanley Capital International (MSCI) World Index rallied 12%, its best performance since 2010, and surged 11% in Australian currency.

US stocks rose after the Fed repeatedly signaled it didn't expect to pursue the two rate increases it predicted in December that it would enact in 2019. In another shift that was a boost for stocks, the Fed said that by the end of September it would stop reducing its balance sheet that was swollen by three spurts of quantitative easing or asset buying since the financial crisis of 2008. Previously, the Fed said it would reduce its balance sheet to a set timetable. Concerns about trade tensions between China and the US eased after US President Donald Trump said trade talks with China had progressed enough for him to meet Chinese President Xi Jinping to "conclude an agreement". An economic report showed the US economy expanded at an annualised pace of 2.2% in the fourth quarter. In political news, the investigation into Russian interference in the 2016 election headed by Special Counsel Robert Mueller III found that Trump had not colluded with Russia's meddling during the campaign, according to a synopsis that Attorney-General William Barr sent congress. The S&P 500 Index added 13%, its biggest quarterly gain since 2009.

European stocks rose after the European Central Bank indicated it could aid the economy if needed and the central bank announced new cheap loans for banks. Another boost came when the EU granted the UK an extension on its March 29 deadline for leaving the EU so it had more time to work through its divorce. Economic reports showed the eurozone economy is tepid. A key report showed the eurozone economy only grew 0.2% in the fourth quarter, meaning the euro area expanded 1.8% in 2018. The Euro Stoxx 50 Index gained 12%.

In Asia, Japanese stocks rose after a report showed Japan's economy returned to growth in the fourth quarter, when it expanded at an annualised rate of 1.4%. Chinese stocks surged after the People's Bank of China cut reserve requirements for commercial banks to encourage lending, the government applied some fiscal stimulus and trade tensions eased (and on a decision that the MSCI China Index would hold a greater weighting in world indices). Japan's Nikkei 225 Index rose 8%. China's CSI 300 Index soared 30%. The MSCI Emerging Markets Index added 10%.

Movements in benchmark indices are in local currency unless stated otherwise.

Fund Commentary

The portfolio recorded a positive return for the March quarter. The biggest contributors included the investments in Facebook and Microsoft. Facebook surged after higher-than-expected revenue numbers for the fourth quarter of U$16.9 billion showed users and advertisers were sticking with the social media company even though it has been troubled by privacy and other scandals. Microsoft rose after releasing quarterly earnings that showed strong growth in cloud revenues.

The only detractor was the investment in Kraft Heinz. Kraft Heinz plummeted after the packaged-goods company wrote down the value of underperforming brands by US$15.4 billion, reported earnings that fell short of expectations due to higher costs, and said it was subject to a probe by regulators.