Fund Update: 30 June 2022

Magellan High Conviction Trust (Managed Fund)

ARSN: 634 789 754

Ticker: MHHT

Trust Facts

Portfolio Managers	Chris Wheldon and Michael Poulsen
Structure	Global Equity Fund
Inception Date	11 October 2019
Management Fee[1]	1.50% per annum
Trust Size / NAV Price[2]	AUD $533.4 million / $1.3128 per unit[2]
Distribution Frequency	Semi-annually
Performance Fee[1]	10% of the excess return of the units of the Trust above the Absolute Return performance hurdle (10% per annum). Additionally, the Performance Fees are subject to a high water mark.

Tickers	**Solactive iNAV**	**ICE iNAV**
Bloomberg (MHHT AU Equity)	MHHTAUIV Index	MHHTIV Index
Refinitive (MHHT.AX)	MHHTAUDINAV=SOLA	MHHTAUiv.P
IRESS (MHHT.ASX)	MHHTAUDINAV.ETF	MHHT-AUINAV.NGIF

[1]All fees are inclusive of the net effect of GST.
[2]NAV price is cum distribution and therefore includes the distribution of $0.0246 per unit payable on 21 July 2022.

Trust Features

- 'Open-ended' active ETF
- Actively managed global equities trust, invested in 10-20 of Magellan's best ideas
- Target Cash Distribution yield of 3% per annum paid semi-annually
- Minimum administration for investors; no paperwork needed to trade
- Investors can buy or sell units on the ASX like any other listed security or apply and redeem directly with the Responsible Entity
- Settlement via CHESS

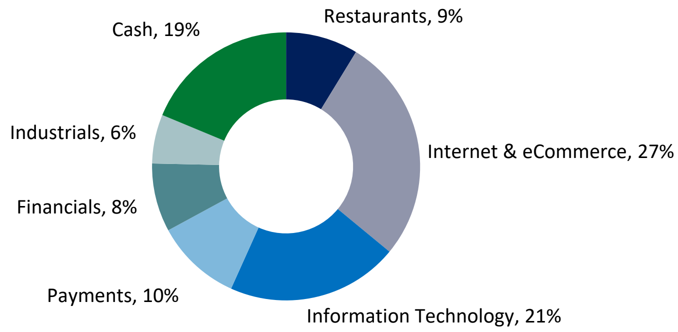
Trust Performance^

	Magellan High Conviction Trust (Managed Fund) (%)
1 Month	-3.3
3 Months	-14.2
1 Year	-23.3
Since Inception (% p.a.)	-2.3

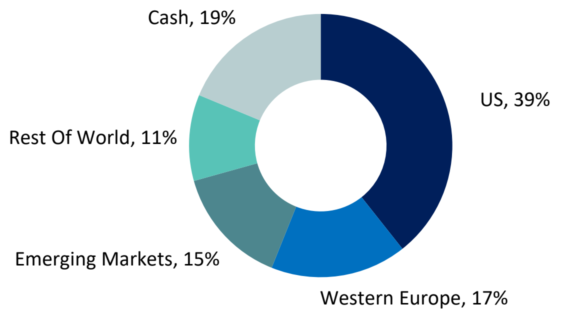
Top 5 Holdings

In alphabetical order	Sector#
Alphabet Inc	Internet & eCommerce
Amazon.com Inc	Internet & eCommerce
Microsoft Corporation	Information Technology
SAP SE	Information Technology
Visa Inc	Payments

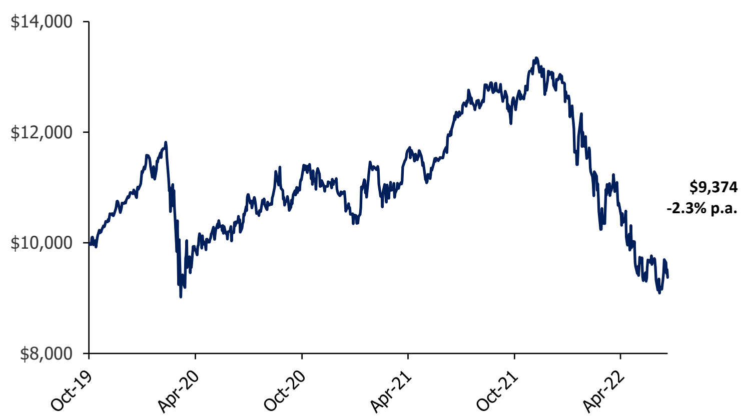
Sector Exposure by Source of Revenue#



Geographical Exposure by Source of Revenue#



Performance Chart growth of AUD $10,000^



^ 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). Trust Inception 11 October 2019. 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 add to 100% due to rounding.

Market Commentary

Global stocks fell for a second consecutive quarter in the three months to June after central banks tightened monetary policy to combat inflation, concerns grew the higher interest rates could pummel the US and global economies, doubts returned about the stability of the eurozone, and companies reported disappointing earnings and warned of pressure on margins. During the quarter, all of the 11 sectors fell in US-dollar terms. Consumer discretionaries (-24%) fell the most while energy (-5.1%) fell least. The Morgan Stanley Capital International World Index dived 16% in US dollars and lost 8.5% in Australian currency.

US stocks dropped as disappointing earnings (especially from retailers) added to pessimism that higher interest rates could send the US economy into recession. Inflation around 40-year highs prompted the Federal Reserve to deliver the first of two rate rises (that boosted the US cash rate by 1.25% to a range of 1.5% to 1.75%) in what is thought to be a series of rate increases that are expected to boost the key rate to above 3% by year end. As the University of Michigan consumer sentiment index slid to its lowest since the survey began in 1952 and mortgages surged to 14-year highs as the Fed commenced 'quantitative tightening' (asset selling), Fed chair Jerome Powell warned the country must accept a higher risk of recession to curb inflation. A report in June showed US inflation reached 8.6% in the 12 months to May, its fastest since 1981. Another report showed the US economy unexpectedly shrank at an annualised pace of 1.6% in the first quarter, whereas investors had expected a gain of 1.1%. The S&P 500 Index shed 16%.

European stocks slid as eurozone inflation set fresh record highs, the European Central Bank warned of tighter monetary policy and held an 'emergency meeting' to deal with the consequences, the European Commission downgraded growth forecasts and increased inflation predictions due to the energy crisis worsened by the Ukraine war, and the UK economic outlook crumbled. As a report showed eurozone inflation sped to 8.1% in the 12 months to May, ECB President Christine Lagarde warned the central bank's experiment with negative interest rates would end by September. The ECB held an unscheduled meeting to alleviate concerns that higher borrowing costs for indebted countries could destabilise the eurozone – the ECB said it would come up with a plan to control sovereign yields. On June 30, indebted Italy sold government 10-year bonds at 3.47%, the highest yields since 2014. The EC reduced its growth forecasts for the EU and euro area for 2022 to 2.7% from 4% previously and said inflation would exceed 6% over the year. A report showed the eurozone economy grew 0.6% in the first quarter. In the UK, the Bank of England raised its key rate for a fifth consecutive month by 0.25%, to boost the key rate to 1.25%, and warned the economy would contract. In political news, Emmanuel Macron in April defeated Marine Le Pen in the French presidential elections, to make Macron the first head of state to be re-elected since Jacques Chirac in 2002. But in June France was said to have become 'ungovernable' when Macron's centrist Ensemble (Together) alliance lost its parliamentary majority in general elections that saw the far left and far right thrive, the first such defeat for a president in the fifth republic that began in 1958. The Euro Stoxx 50 Index lost 12%.

Japan's Nikkei 225 Index shed 5.1% as a report showed the Omicron variant caused growth to contract at an annualised rate of 1% in the first quarter and an energy crisis loomed. Australia's S&P/ASX 200 Accumulation Index dived 12% after iron ore prices slid and the Reserve Bank of Australia raised its key rate by 0.75% in two steps to combat inflation running at 5.1%, as the Australian Labor Party in national elections secured government after nine years in opposition. China's CSI 300 Index jumped 6.2% as Beijing implemented monetary and fiscal stimulus and large cities reopened after lockdowns enforced under a zero-covid policy. The MSCI Emerging Markets Index tumbled 12% in US dollars as the higher US dollar put pressure on countries with large debts denominated in the US currency and a global economic slowdown loomed.

Fund Commentary

The portfolio recorded a negative return for the quarter. Among the biggest detractors as a rise in government bond yields applied a greater discount to future profits were the investments in Netflix, Amazon and Alphabet. Netflix dived after the streaming service reported an unexpected decline in subscribers during the first quarter, when 200,000 people cancelled their subscriptions. Amazon declined after the online retailer posted its first quarterly loss since 2015 due to rising costs and a write-down on its investment in electric carmaker, Rivian. Alphabet, the parent of Google, dropped after first-quarter revenue growth of 20% disappointed due to poorer-than-expected ad sales in Europe and on YouTube.

No stocks contributed over the quarter.

Index movements and stock contributors/detractors are based in local currency terms unless stated otherwise.