

Magellan Sustainable Fund (Managed Fund)

ARSN: 645 516 187

APIR: MGE4669AU

Ticker: MSUF

Fund Features

- A high conviction (20-50 securities), high quality focus, low turnover portfolio.
- Designed for capital preservation in adverse markets, whilst delivering attractive absolute risk-adjusted returns through the economic cycle.
- Portfolio construction incorporates detailed macroeconomic analyses to capture opportunities whilst mitigating risks, alongside the application of both fixed and dynamic risk limits.
- Investors can buy or sell units on Cboe like any other listed security or apply and redeem directly with the Responsible Entity.

Fund Facts

| | | |
|---|---|---|
| Portfolio Manager | Domenico Giuliano | |
| Structure | Global Equity Fund, A\$ Unhedged | |
| Inception Date | 11 December 2020 | |
| Management Fee ¹ | 1.35% per annum | |
| Buy/Sell Spread ^{1,2} | 0.07%/0.07% | |
| Minimum Investment Size ² | AUD\$10,000 | |
| Fund Size / NAV Price | AUD \$8.6 million / \$2.5908 per unit | |
| Distribution Frequency | Semi-annually | |
| Performance Fee ¹ | 10.0% of the excess return of the units of the Fund above the higher of the Index Relative Hurdle (MSCI World Net Total Return Index (AUD)) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). Additionally, the Performance Fees are subject to a high water mark. | |
| iNAV tickers Bloomberg (MSUF AU Equity) Refinitive (MSUF.CHA) IRESS (MSUF.CXA) | Solactive iNAV MSUFAIV MSUFAUDINAV=SOLA MSUFAUDINAV | ICE iNAV MSUFAUIV Index MSUFAUIv.P MSUF-AUINAV.NGIF |
| Carbon Intensity (CO ₂ t/US\$1m revenue) ³ | Fund: 18 | Index**: 143 |

¹ All fees are inclusive of the net effect of GST;

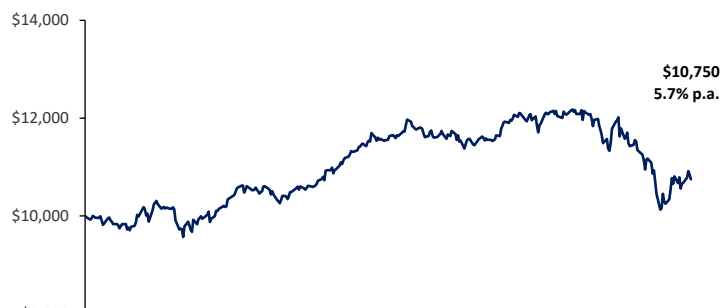
² Only applicable to investors who apply for units directly with the Responsible Entity.

³ As at 31 March 2022. Carbon intensity data available on a quarterly basis. Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission

Fund Performance*

| | Fund (%) | Index (%) ⁺ | Excess (%) |
|------------------------|----------|------------------------|------------|
| 1 Month | -3.0 | -0.7 | -2.3 |
| 3 Months | -11.0 | -8.2 | -2.8 |
| 6 Months | -6.7 | -1.7 | -5.0 |
| 1 Year | 5.5 | 11.7 | -6.2 |
| Since Inception (p.a.) | 5.7 | 13.9 | -8.2 |

Performance Chart growth of AUD \$10,000*



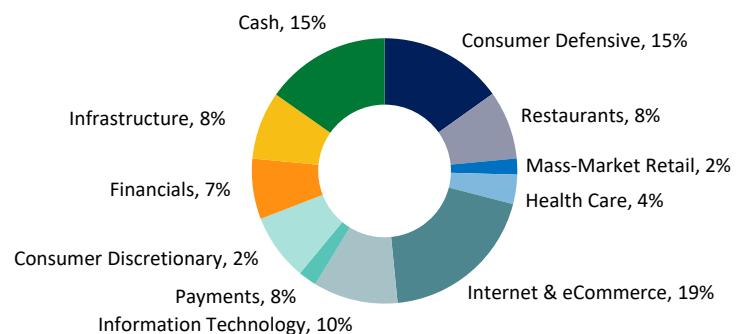
Environmental, Social, Governance and Low Carbon

- Integrated proprietary ESG risk assessment process and low carbon framework.
- Companies with material exposures to businesses considered detrimental to society or environment are removed from the universe, including exposures to tobacco, alcohol, gambling, adult entertainment and weapons, amongst other exposures as determined from time to time by Magellan.
- Companies are reviewed for the materiality of their exposures to environmental, social and governance issues, with assessments incorporated into our perspectives on business risks.
- We overlay our proprietary Low Carbon framework to deliver a portfolio with much lower carbon risk exposure than world markets.

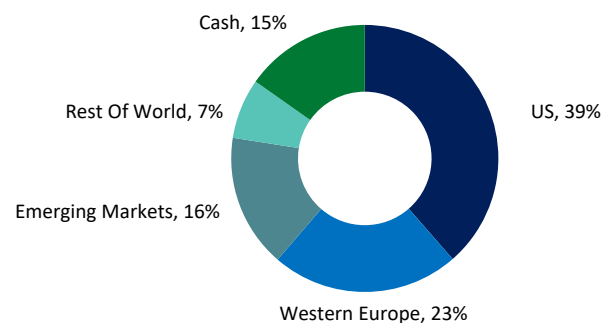
Top 10 Holdings

| | Sector [#] | % |
|-------------------------|------------------------|-------------|
| Microsoft Corporation | Information Technology | 7.7 |
| Alphabet Inc | Internet & eCommerce | 7.7 |
| Visa Inc | Payments | 4.7 |
| Netflix Inc | Internet & eCommerce | 4.5 |
| Meta Platforms Inc | Internet & eCommerce | 4.4 |
| Yum! Brands Inc | Restaurants | 3.6 |
| Novartis AG | Health Care | 3.6 |
| Nestle SA | Consumer Defensive | 3.5 |
| MasterCard Inc | Payments | 3.5 |
| Reckitt Benckiser Group | Consumer Defensive | 3.3 |
| TOTAL: | | 46.5 |

Sector Exposure by Source of Revenue[#]



Geographical Exposure by Source of Revenue[#]


^{*} 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 11 December 2020. Returns denoted in AUD.

⁺ Benchmark is the MSCI World NTR Index (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 tumbled in the March quarter after Russia's invasion of Ukraine heightened uncertainty about the global economic outlook and boosted energy and grain prices in a world where inflation is at decade highs, and the Federal Reserve embarked on the first of an expected series of rate increases to quell US inflation which is at its highest in 40 years. During the quarter, eight of the 11 sectors fell in US-dollar terms. Consumer discretionary (-11%) plunged the most while energy (+31%) soared most. The Morgan Stanley Capital International World Index dropped 5.2% in US dollars and 8.2% in Australian currency.

US stocks slid as bond yields surged, companies said higher inflation would curb margins and investors readied for up to another 11 US rate increases by the end of 2023. Inflation reached 7.9% in the 12 months to February, the fastest pace since 1982. Soon after, the Fed raised the US cash rate by 0.25% from close to zero. Projections released after the central bank's policy-setting board meeting showed the median board member expects to authorise another 11 rate increases of 25 basis points by the end of 2023 that would lift the key rate to 2.8%. Fed Chair Jerome Powell further boosted bond yields when he warned the central bank might increase the cash rate in steps of 50 basis points if inflation stayed high. The S&P 500 Index lost 4.9%.

European stocks fell as higher inflation prompted the European Central Bank to warn it would tighten monetary policy even though the Russian invasions of Ukraine raised prospects of a eurozone recession, boosted energy and grain prices and prompted sanctions designed to wreck Russia's economy. Eurozone inflation accelerated to a record high of 5.8% in the 12 months to February. The ECB signalled it was more worried about high inflation than slowing economic growth when it said it would phase out its bond-buying program by September or even sooner, overriding previous guidance the purchases would last until October at least. The Bank of England in March lifted its key rate by 0.25% to 0.75%, marking three rate increases in three months, to curb inflation that reached 6.2% in the 12 months to February, its highest in three decades. The Euro Stoxx 50 Index plunged 9.2%.

Japan's Nikkei 225 Index lost 3.4% amid global uncertainty. Australia's S&P/ASX 200 Accumulation Index, however, gained 2.2% as commodity and energy prices rose, reports showed the economy was strong, and the government delivered a generous budget as it readied for an election in May. China's CSI 300 Index dived 14.5% after covid-19 infections prompted lockdowns, investors speculated that sanctions against its ally Russia could spread to China and after a crisis in property slowed economic growth to a 12-month rate of 4% in the December quarter. The MSCI Emerging Markets Index lost 7.3% in US dollars as Russia's economic outlook collapsed and there was talk that higher US bond yields would lead to sovereign defaults.

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Fund Commentary

The portfolio recorded a negative return for the quarter. The biggest detractors were the investments in Meta Platforms, Netflix and SAP of Germany. Meta fell after the owner of Facebook offered only a weak revenue forecast due to Apple privacy restrictions inhibiting the reach and effectiveness of its advertising and its Facebook site suffered its first drop in regular users in part due to the popularity among the young of TikTok. Netflix fell after the streaming service said it expected subscriber growth to slow and profit margins to narrow. SAP fell after the German software giant's fourth-quarter earnings report, with the strong result marred by the considerably higher guidance on expenses that will persist beyond fiscal 2022.

The biggest contributors were the investments in Chipotle Mexican Grill, Swiss-based Novartis and Aena of Spain. Chipotle rose after the fast-food chain reported a slight beat on quarterly sales and the company increased its long-term restaurant goal to 7,000 in North America, up from a prior figure of 6,000. Novartis rose on news that private-equity groups were interested in buying the health group's generics unit, Sandoz. Aena, the world's largest airport operator, gained as the easing of pandemic restrictions reopened international travel.

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