



MAGELLAN

Quarterly Stocks in Focus

Magellan Sustainable Fund (TICKER: MSUF)

AS AT 30 JUNE 2024

Alphabet Alphabet generated US\$307 billion in sales in fiscal 2023, the majority from Google Search, which represents about 90% of the global search market ex-China. Alphabet's Android is the dominant mobile operating system as it has more than 3 billion devices and over 80% global market share. The majority of Android devices are preloaded with Google's services. Nine of these – Search, Maps, YouTube, Chrome, Android, Google Play, Gmail, Drive and Photos – service more than one billion users a month.

Brands



amazon Amazon.com is a cloud-computing and retail giant that generated almost US\$575 billion in revenue in fiscal 2023. Amazon's AWS segment, which generates the majority of group profit, is the leading global hyperscale cloud platform. The Retail segment, which generates the majority of revenue but around a third of group profit, is a dominant e-commerce platform comprising a commerce marketplace, third-party fulfilment and logistics services, a digital advertising business, and subscription services.

Brands



BOOKING HOLDINGS Booking Holdings generated US\$21.4 billion in revenue in fiscal 2023. Booking Holdings is the world's leading provider of online travel and related services, provided to consumers and local partners in more than 220 countries and territories through five primary consumer-facing brands: Booking.com, Priceline, Agoda, KAYAK and OpenTable, as well as through a network of subsidiary brands including Rocketmiles, Fareharbor, HotelsCombined, Cheapflights and Momondo.

Brands



ICE Intercontinental Exchange, which promotes itself as ICE and generated US\$8 billion in revenue in fiscal 2023, has grown from a small company facilitating trading in US energy derivatives to one of the world's largest exchange groups. It owns 12 global exchanges and six clearing houses, including leading derivatives exchanges servicing the energy, agricultural and financial sectors, as well as the New York Stock Exchange. The company provides essential data to fixed income and other financial markets and is providing technology and infrastructure to digitise the US mortgage market.

Brands



Meta Meta Platforms is the world's largest social network platform with more than 3.2 billion users touching at least one of its services – Facebook, Instagram, WhatsApp and Messenger – each day. Meta generated more than US\$134 billion in revenue in fiscal 2023, the vast majority of which came from selling advertising, primarily on user 'Feeds'.

Brands



Microsoft Microsoft is the world's largest software company, with US\$212 billion of sales in fiscal 2023. As well as being a leading provider of business applications, infrastructure software and PC operating systems, Microsoft has established itself as a global leader in cloud computing outside China. Companies around the world are shifting to the cloud and Microsoft is a beneficiary of this major trend. The company also owns consumer franchises in areas like search and gaming.

Brands



Nestlé In 2023, Nestlé generated approximately 93 billion Swiss francs in revenue, making it the world's largest food and beverage manufacturers. The company derives more than half of its operating profit from defensive, structural growth categories such as branded coffee and pet food where it retains leading market share relative to peers in most major geographies. The company owns 31 mega-brands, such as Nescafé, Nespresso, Purina, Coffee mate, Maggi, and KitKat, each of which generate global retail sales of more than 1 billion Swiss francs every year.

Brands



NOVARTIS Novartis is a leading global pharmaceutical company engaged in the research, development and marketing of innovative pharmaceutical products. The Swiss-based company, which earned US\$45.4 billion in revenue in fiscal 2023, is a global leader in key therapeutic areas including immunology, targeted oncology, neuroscience and cardiology. Following recent simplification initiatives, Novartis controls a world-class and diversified Innovative Medicines business.

Brands



SAP SAP is a leading provider of enterprise application software with over €31 billion of revenue generated in 2023. SAP's software is used to run the businesses of over 400,000 customers around the world, including over 90% of the Forbes Global 2000. The company has expanded into cloud software, which contributes nearly half its total software revenue, and this is expected to rise as customers modernise their digital technology.

Brands



tsmc Taiwan Semiconductor Manufacturing Company Limited (TSMC or Taiwan Semiconductor) is the world's largest semiconductor manufacturing company with a virtual monopoly in the fabrication of the most advanced chips such as those powering Generative AI and high-end smart phones. The company generated US\$70bn in revenue in 2023.

Brands



MAGELLAN

Magellan Asset Management Limited ('Magellan') are experts in global investing and invest in a portfolio(s) of outstanding global companies with the aim to grow and safeguard the wealth of clients.

Magellan has a highly experienced team of investment professionals that oversees over A\$36 billion* in clients assets.

*As at 30 June 2024

Why global investing?

A key question for many Australian investors is whether or not they should have the vast majority of their equity investments in Australian shares when 97% of the world's listed companies are found overseas. Clearly, by having limited exposure to global equities, Australian investors are restricting their investment opportunities. To benefit from the key investment trends that are likely to prevail over the next decade and beyond, we believe investors will need to boost their exposure to global businesses. Some of the key trends that we expect to be powerful forces in the years ahead include cloud computing, digital platforms, e-commerce, the cashless economy, the reach of global brands, the Chinese consumer, driverless cars, healthcare for an ageing population and artificial intelligence.

At Magellan, we invest in a concentrated portfolio of what we consider as the world's best businesses that are positioned to thrive in the years ahead.

PROTECTING INVESTOR CAPITAL

At Magellan, we believe that conservative investors sleep well. All our investments are made in accordance with our investment philosophy, that is, to invest in outstanding businesses that have attractive underlying business economics because they are protected by sustainable long-term competitive advantages, or in Warren Buffett's words, an "economic moat". In our opinion, investing in terrific businesses at appropriate prices is a low-risk investment style and will produce more certain investment returns over time than many other approaches. The core of our investment philosophy is to minimise the risk of a permanent capital loss. We seek to construct our investment portfolio with a meaningful margin of safety and with risk characteristics that we believe should enable the portfolio to have materially less downside in the event of large market corrections.

Magellan's Sustainable Fund

Magellan's Sustainable Fund provides investors with a high quality, absolute-return focused portfolio with materially lower carbon factor risk than global markets. Magellan believes it is highly likely that political and societal efforts to address climate change risks, as well as technological innovation, will lead to material adverse and discontinuous impacts to large swathes of industries associated with greenhouse gas emissions.

The Fund's proprietary process implements the following overlays:

1. Company emissions cap of around 300 tonnes per US\$1m revenue. The cap is set having regard to globally agreed climate goals (i.e. maximum 2 degrees Celsius temperature increase).
2. Portfolio emissions cap of around one-third of The MSCI World Index.
3. Exclusion of any company engaged in the extraction of fossil fuels, or have material exposure to energy generation using fossil fuels, or material exposure to transportation or storage of fossil fuels. Companies whose core product is inextricably linked to fossil fuels and faces an existential threat from climate change are also excluded.

The caps and exclusions applied by the Magellan Global Sustainable Strategy set a very high standard compared to global equities benchmarks. Magellan believes this is appropriate given the magnitude of the risks associated with climate change and the ambitious nature of globally agreed climate goals.

Magellan's investment team conducts detailed due diligence on companies' exposures under the caps and exclusions to verify their low carbon status. As a signatory of CDP's climate change program, MFG has access to detailed climate change reports and data on companies. Magellan is a signatory of the United Nations Principles for Responsible Investment (UNPRI). Magellan is a member of the Investor Group on Climate Change (IGCC) and the Net Zero Asset Managers initiative (NZAMI).



www.magellangroup.com.au



+61 2 9235 4888



info@magellangroup.com.au

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