

Magellan Sustainable Fund (Managed Fund)

ARSN: 645 516 187

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 the Chi-X securities exchange like any other listed security or apply and redeem directly with the Responsible Entity.

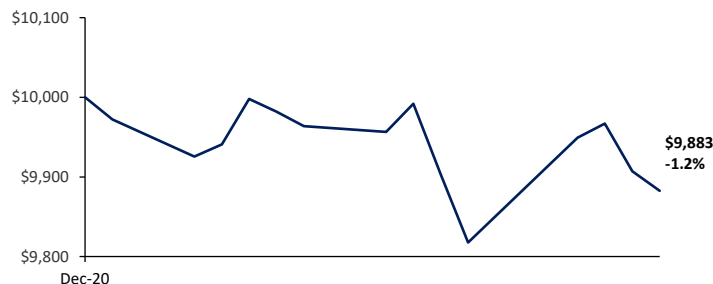
Fund Facts

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 Initial Investment ²	AUD\$10,000
Fund Size / NAV Price	AUD \$5.9 million / \$2.4673 per unit
Distribution Frequency	Semi-annually
Carbon Intensity (CO ₂ t/US\$1m revenues)	31
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 MSUFIV Index Thomson Reuters MSUF.AX MSUFAUiv.P

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

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

Performance Chart growth of AUD \$10,000*



Fund Performance*

	Fund (%)	Index (%)**	Excess (%)
Since Inception	-1.2	-0.3	-0.9

* 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.

** 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).

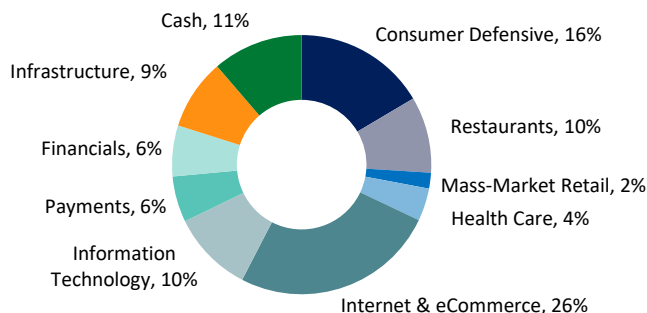
Environmental, Social, Governance and Low Carbon

- 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.
- Companies are reviewed for the materiality of their exposures to E, S and G 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.

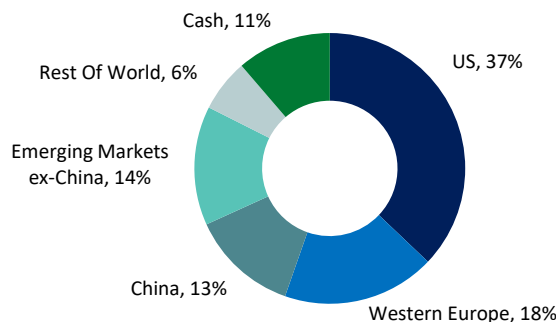
Top 10 Holdings

Company	Sector [#]	%
Alphabet Inc	Internet & eCommerce	7.6
Microsoft Corporation	Information Technology	6.9
Facebook Inc - Class A Shares	Internet & eCommerce	5.8
Tencent Holdings Ltd	Internet & eCommerce	5.1
Alibaba Group Holding Ltd	Internet & eCommerce	5.0
Reckitt Benckiser Group	Consumer Defensive	4.1
Novartis AG	Health Care	4.1
Unilever PLC	Consumer Defensive	3.9
Starbucks Corporation	Restaurants	3.6
Chipotle Mexican Grill Inc	Restaurants	3.5
TOTAL:		49.6

Sector Exposure by Source of Revenue[#]



Geographical Exposure by Source of Revenue[#]



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** Benchmark is the MSCI World NTR Index (AUD).

Market Commentary

Global stocks soared to record highs in the December quarter after pharmaceutical companies developed a vaccine against the virus that causes the illness known as COVID-19, the Democratic party's subdued performance in the US senate appeared to rule out radical anti-business measures during the administration of president-elect Joe Biden, and US congress agreed to more fiscal stimulus. During the quarter, all 11 sectors rose. Energy (+27% in US dollars) climbed most while consumer staples rose least (+6.4%). The Morgan Stanley Capital International World Index soared 14% in US dollars and 5.9% in Australian currency over the quarter to give increases of 16% and 5.6% respectively for 2020.

US stocks rallied to record highs after a vaccine with 90%-plus effectiveness in achieving an immune response was announced and distributed, the election result lowered the risk of radical measures passing congress, the Federal Reserve said it would provide open-ended stimulus to help the economy, and lawmakers passed the second big fiscal package since the virus struck. These developments overcame concerns about a third wave of infections flaring up across the country and President Donald Trump's refusal to concede defeat while alleging voter fraud. The vaccine euphoria kicked off in November when Pfizer/BioNTech and Moderna announced successful phase three vaccine trials using a novel mRNA technology, while Oxford University and AstraZeneca came out with vaccines using traditional technology. In the election, the lack of a strong Democratic wave improved the outlook for profit growth because the lack of a strong showing in the senate reduced the mandate and political leeway for new laws that would reduce corporate profitability. Even though the US economy expanded at an annualised rate of 33.4% in the third quarter, more up-to-date reports showed the latest burst of infections, which took the number of Americans struck by the virus to more than 20 million, is hurting business. Retail sales, for example, fell in November, the largest decline since April, while jobless claims rebounded towards year end. The S&P 500 Index added 12% over the quarter, to be up – led by Big Tech – 16% for 2020.

European stocks soared as the arrival of a vaccine, a last-minute deal that completed the procedure of the UK's departure from the EU and an agreement over the EU's budget and stimulus package overshadowed a fresh wave of infections and restrictions across the continent. In economic news, a report showed the eurozone expanded 12.5% in the third quarter after shrinking 11.7% in the previous three months. The Euro Stoxx 50 Index rallied 11%, meaning it fell only 5.1% over 2020.

Japan's Nikkei 225 Index gained 18%, to break the previous high set in 1991, after a report showed Japan's economy expanded 5.3% in the third quarter, its first expansion in four quarters. China's CSI 300 Index rose 14% as manufacturing's ninth consecutive monthly increase in November showed the economy was coping through the pandemic. Australia's S&P/ASX 200 Accumulation Index jumped 14% after the Reserve Bank of Australia cut the cash rate to a record low 0.1% and announced it would buy A\$100 billion of long-term bonds under a quantitative easing program. The MSCI Emerging Markets Index rallied 19% in US dollars as investors thrilled to the vaccine and a lower US dollar eased the burden of emerging countries with steep US-dollar-denominated debt.

Fund Commentary

The portfolio recorded a negative return since its inception. The biggest detractor was the investment in Alibaba Group. Alibaba dropped after its about-33%-owned Ant Group suspended its IPO, Chinese authorities said they would investigate the company for "suspected monopolistic conduct", and key founder Jack Ma disappeared after he criticised financial authorities in October.

The biggest contributors were the investments in Microsoft and Mastercard, which were swept up with the market rally.

Stock contributors/detractors are based in local currency terms unless stated otherwise.

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