Magellan Financial Group Limited

Interim Report

For the half year ended 31 December 2020

ABN 59 108 437 592

Contents

The interim financial report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act* 2001 and does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with Magellan Financial Group Limited's ("MFG") most recent annual financial report available at www.magellangroup.com.au. MFG has also released information to the Australian Securities Exchange ("ASX") in compliance with the continuous disclosure requirements of the ASX Listing Rules and these announcements are available at www.asx.com.au (MFG's ASX code: 'MFG').

Chief Executive Officer's Interim Letter

for the half year ended 31 December 2020

Dear Shareholder,

I am delighted to present this report for Magellan Financial Group Limited ("the Group" or "Magellan") for the half year ended 31 December 2020.

Overview of Magellan

For those who might be new to Magellan this section provides a brief overview of the business, which will be updated from time to time as the business develops. For those who are more familiar with Magellan's business, please feel free to skip to the section "Overview of Results", which provides a detailed discussion of results for the period.

Magellan is a specialist fund manager that has four core investment strategies – Global Equities, Global Listed Infrastructure, Sustainable and Australian Equities (via Airlie Funds Management). We manage these strategies on behalf of retail investors in Australia and New Zealand and institutional investors located around the world.

The Group's Funds Management segment is our core business and is the driver of the Group's revenues, profitability and, therefore, dividends paid to shareholders.

The primary component of the Group's revenues is the management fees that we earn on the investment strategies we manage for our clients. Management fees are based on funds under management ("FUM") and thus management fee revenue will be driven by the Group's FUM. Changes in FUM itself are driven primarily by investment performance and also by client inflows, outflows and distributions. From time to time we may also earn performance fees if our funds and mandates achieve certain performance hurdles. Performance fees are lumpy and do not occur evenly from period to period.

Our clients, of course, have a choice as to who manages their money, and so it is crucial we focus on them and achieving the investment outcomes we aim to deliver. We have invested significantly in our investment team, developed key systems and processes and built scalable operations and risk management frameworks, all aimed to deliver for our clients.

We have also developed a strong distribution team to work with our clients and their advisers. Our distribution team prides itself on building long standing relationships and delivering high standards of communication and insightful events.

As a fund manager, our business is heavy in human capital. Although not noted in our balance sheet, people are our most valuable asset and, as our profit or loss statement shows, they are also our largest expense (apart from payments for tax). Payments to employees make up roughly 60% of our adjusted operating expense base. Given the nature of our business, we believe it is very important to foster a culture amongst our team where everyone is encouraged to think and act like owners of the business. We are pleased our voluntary employee share purchase plan has resulted in approximately 83% of employees being Magellan shareholders.

The remaining 40% of adjusted operating expenses include such things as marketing and distribution costs, funds administration costs including custody and registry, information technology expenses, legal and professional fees, rent and so on. About half of these expenses are variable in nature with some moving in line with changes in FUM (and therefore revenue) and others being a function of the number of investors and their activity (statement communications for example). The other half of these non-employee related costs result from the day-to-day running of the business, such as office tenancies and information technology expenses which tend to be fixed in nature.

We have focused on developing the business to ensure scalability as the business grows and currently our core cost-to-income ratio is 16.8% (excluding the positive impact of performance fees).

Although our business is relatively capital light, we do believe it is essential to maintain a strong balance sheet and accordingly Magellan had $984.7 million of net tangible assets as at 31 December 2020. Our liabilities comprise of day-to-day payables and provisions for employee entitlements and tax, together with lease liabilities for our offices. We have no borrowings although for funding flexibility, we do maintain an undrawn corporate debt facility. We believe a strong balance sheet that can withstand almost any market condition is important for our clients as well as shareholders, as has been demonstrated during these recent uncertain times.

The other business within the group is Principal Investments. This is shown in our accounts under the Principal Investments business segment.

A meaningful portion of the Group's capital is invested in our strategies alongside our clients via an Internal Principal Investments portfolio. Through this we invest in our funds (for example the Magellan Global Fund) and seed new strategies and initiatives. The Group earns revenue from the Internal Principal Investments portfolio through distributions from our funds and, if these investments grow over time, we may realise a capital gain (or capital loss, if these investments decline over time).

We also make selective principal investments external to our funds. These External Principal Investments need to meet a number of key criteria and over time we hope will add to our firm's intellectual capital, provide meaningful diversification and optionality, and generate attractive returns for our shareholders. The External Principal Investments portfolio will generally be "equity accounted" and as such we will record our share of the underlying businesses' net profit or loss, net of any dividends received, in our own profit or loss statement.

It is important to note that the earnings from our Principal Investments may fluctuate significantly from period to period and while growing, are not a core driver of the business. Further, accounting standards require us to include both realised and unrealised gains/losses in the Group's reported earnings. Given the size of our Principal Investments this brings some unwanted noise into our reported earnings at various times and as such we will endeavour to be clear in our discussions and financial accounts as to what portion of our earnings are derived from the core business and what is the result of investment gains or losses, some of which may not yet be realised.

As at 31 December 2020 the Group has net assets of $1,099.2 million, of which $114.5 million is classified as intangible. These intangible assets arose following the purchases of Airlie Funds Management ("Airlie") and Frontier Group ("Frontier") and comprise values attributed to customer relationships and goodwill.

Accounting standards dictate that some intangible assets (like customer relationships) are treated as having finite useful lives while others (such as goodwill) are deemed to have indefinite useful lives.

The values of those intangible assets with fixed lives are required to be amortised (i.e. written-off) typically in equal yearly amounts over their life, with that amortisation amount being accounted for as an expense against earnings in each year. Goodwill, on the other hand, has no fixed useful life and therefore is subject to a yearly impairment test, with any recognised impairment also being accounted for as an expense against earnings in that year.

It is important to note that while these amortisation and impairment expenses (if any) reduce our reported earnings, they are not cash items. Furthermore, in the case of customer relationships, the amortisation over set periods implicitly assumes customers leave by those times and are not replaced, an assumption that management do not expect to be the case.

Therefore, when reviewing our financial statements and results we believe it is important to consider several different measures to gain an overall understanding of the business and its performance.

Firstly, an analysis of our statutory reported earnings is clearly important, but it is also important to be mindful of the inherent assumptions and assorted items which are included in that measure.

As such, secondly, we also think a metric whereby we make adjustments to exclude specific items provides additional meaningful information about the performance of the business, particularly in comparative analysis. Such adjustments include adding back non-cash items such as amortisation, because we consider departing clients would be replaced, and removing unrealised gain/losses, because they are unrealised. We also adjust for items that relate to transaction costs of strategic initiatives. For example, the offer costs we incurred as part of the initial public offerings ("IPO") of our closed-ended funds, the costs associated with the restructure of our global equities retail funds, and funding of the discounts offered on any capital raisings, including Unit Purchase Plans ("UPP") and Distribution Reinvestment Plans ("DRP"), in the closed-ended funds that may have occurred in a period.

Thirdly, as our business consists of a dominant Funds Management segment and a portfolio of Principal Investments, each should be considered separately. Our Principal Investments portfolio can be considered in terms of its value per share, whilst the Funds Management segment can be reviewed by considering the net profit before tax of that segment, both with and without performance fees (due to their lumpy nature).

Each of these measures is discussed in the Overview of Results section below.

Finally, a word on tax. Our effective tax rate is below the company tax rate (currently 30%) because Magellan has the benefit of being declared an Offshore Banking Unit (“OBU”). The benefit of an OBU is that assessable offshore income, net of costs, is taxed at a concessional rate of 10%. Our assessable domestic income is still taxed at the company tax rate and so our actual overall tax rate will depend on the mix of our offshore and onshore businesses. Currently our effective tax rate is 22.2%.

The remainder of this report discusses the business in more detail and the Group’s financial results for the half year ended 31 December 2020.

Overview of Results

During the period, the Group saw a 9% growth in average FUM over the previous corresponding period, to $100.9 billion (average FUM of $92.8 billion for the six months ended 31 December 2019). We are pleased with this outcome, particularly given the severe market volatility seen around the world driven by the COVID-19 pandemic and the headwind of the rising Australian dollar.

For the half year ended 31 December 2020, the Group reported net profit after tax of $202.3 million, which represents an increase of 3% over the previous corresponding period ($195.7 million for the six months ended 31 December 2019).

Adjusted for non-cash and unrealised items and costs relating to strategic initiatives, the Group’s net profit after tax decreased by 2% to $213.1 million for the half year ended 31 December 2020 ($216.8 million for the six months ended 31 December 2019). Adjusted financial measures for the year are adjusted for non-cash amortisation expense of $2.3 million, unrealised capital losses from the Principal Investments segment of $5.6 million (net of tax) and costs related to strategic initiatives of $2.9 million (net of tax), which primarily relate to the restructure of our global equities retail funds that completed in December 2020. Adjusted earnings per share decreased by 3% to 116.4 cents per share (119.9 cents per share for the six months ended 31 December 2019).

In the period, the Group earned crystallised performance fees before tax of $12.4 million ($41.7 million for the six months ended 31 December 2019). As we have discussed previously, it is important to note performance fees can, and usually do, vary significantly from period to period. Whilst this does not detract from their value, it can distort near term comparative analysis.

We therefore draw shareholders’ attention to the change in profit before tax and performance fees of our Funds Management business. This increased 8% to $256.2 million for the half year ended 31 December 2020 ($237.4 million for the half year ended 31 December 2019) which was broadly in line with the growth in average FUM.

Principal Investments made a loss of $2.0 million before tax. This comprised distributions of $7.2 million and $5.1 million of realised capital gains, offset by an $8.0 million unrealised capital loss and a $6.1 million loss from the share of after-tax results of those investments which are equity accounted. Earnings from distributions and realised capital gains/losses are included in other revenue in the table on the next page.

The Directors have declared an Interim Dividend of 97.1 cents per share in respect of the half year ended 31 December 2020, 75% franked. This is an increase of 5% over the prior corresponding period. The Interim Dividend will be paid on 25 February 2021.

The Company’s policy is to pay Interim and Final Dividends of 90% to 95% of the net profit after tax of the Group’s Funds Management business excluding performance fees. Net profit after tax of the Funds Management business excludes amortisation of intangibles and costs related to strategic initiatives. In addition to the Interim and Final Dividends, the Group will pay an annual Performance Fee Dividend of 90% to 95% of the net crystallised performance fees after tax. Any Performance Fee Dividend will be paid annually alongside the Final Dividend. The payment of dividends by the Group will be subject to corporate, legal and regulatory considerations.

As we have previously noted, dividends are likely to be less than 100% franked due to the combination of our payout ratio and our below 30% tax rate. Although the Board has a policy of paying out franking credits to the maximum extent possible over time, the level of franking attached to dividends may vary from period to period.

Chief Executive Officer's Interim Letter

for the half year ended 31 December 2020

The following table summarises the Group's profitability over the past two December ended half years[1]:

	31 Dec 2020 $'000	31 Dec 2019 $'000	Change %
Management and services fees	**311,350**	288,246	8%
Performance fees	**12,421**	41,683	(70%)
Share of after tax results of equity accounted investments	**(6,081)**	-	n/m
Other revenue and income	**9,385**	7,138	31%
Adjusted revenue and other income	**327,075**	**337,067**	(3%)
Adjusted expenses	**(52,635)**	(56,036)	(6%)
Adjusted net profit before tax	**274,440**	**281,031**	(2%)
Adjusted tax expense	**(61,370)**	(64,270)	(5%)
Adjusted net profit after tax	**213,070**	**216,761**	(2%)
Transaction costs related to strategic initiatives (after tax)[1]	**(2,848)**	(37,736)	(92%)
Amortisation expense of intangible assets	**(2,294)**	(2,330)	(2%)
Net unrealised change in fair value of financial assets and liabilities (after tax)	**(5,600)**	18,983	(130%)
Total non-IFRS adjustments	**(10,742)**	**(21,083)**	
Net profit after tax	**202,328**	**195,678**	3%
Key statistics			
Diluted earnings per share (cents per share)	**110.6**	108.2	2%
Adjusted diluted earnings per share (cents per share)	**116.4**	119.9	(3%)
Interim dividend (cents per share)	**97.1**	92.9	5%

1 Costs comprise the DRP discount funding costs paid and in the current period, the restructure costs of the Magellan Global Fund ("MGF"). In the prior period, costs also include Magellan High Conviction Trust's IPO costs.

1 Adjusted financial measures are adjusted for non-cash items (amortisation expense and unrealised gains/losses) and transaction costs related to strategic initiatives. A reconciliation to the reported profit and loss statement is outlined in Section 3.1 of the Directors' Report.

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Funds Management Segment

For the half year ended 31 December 2020, the Group's Funds Management segment profit before tax decreased by 4% to $268.6 million ($279.0 million for the half year ended 31 December 2019). Excluding performance fees, profit before tax grew by 8% to $256.2 million[2] ($237.4 million for the half year ended 31 December 2019). The following table summarises the profitability of the Funds Management business over the past two December ended half years:

	31 Dec 2020 $'000	31 Dec 2019 $'000	Change %
Revenue			
Management fees	**309,350**	285,896	8%
Performance fees	**12,421**	41,683	(70%)
Services fees	**2,000**	2,350	(15%)
Interest and other revenue	**(3,602)**	3,983	(190%)
	320,169	333,912	(4%)
Expenses			
Employee expense	**34,220**	36,184	(5%)
Fund administration and operational costs	**9,400**	9,117	3%
IT and information services expense	**3,648**	2,928	25%
Marketing expense	**860**	1,438	(40%)
Other expense	**3,428**	5,234	(35%)
	51,556	54,901	(6%)
Net profit before tax	**268,613**	279,011	(4%)
Net profit before tax and performance fees[1]	**256,192**	237,358	8%
Key statistics			
Average funds under management ($ million)	**100,930**	92,770	9%
Average AUD/USD exchange rate	**0.7234**	0.6848	6%
Average number of employees	**132**	128	3%
Employee expenses / total expenses	**66.4%**	65.9%	
Cost / income	**16.1%**	16.4%	
Cost / income, excl. performance fees[1]	**16.8%**	18.8%	

1 Adjusts for the current period performance fee impact on revenue and expenses for the six month period.

Revenues

The key driver of revenue is FUM and this is discussed in detail in the next section. Revenues for the six months ended 31 December 2020 decreased by 4% to $320.2 million over the period. This was driven by an 8% increase in total management fee revenue as a result of a 9% increase in average FUM over the period, offset by a decline in performance fees. Performance fees before tax for the half year totalled $12.4 million compared with $41.7 million in the prior corresponding period. Performance fees can, and very often do, vary significantly from period to period.

Given a large portion of our overall FUM is invested in offshore markets and is typically unhedged for currency movements, our FUM, and therefore revenue, is inversely affected by movements in the Australian dollar.

As at 31 December 2020, 85% of FUM was exposed to currency movements, with the US Dollar representing most of the exposure at 61% of FUM. The strong growth in the Australian dollar during the period has thus had a negative impact on FUM and revenue, with the average AUD/USD exchange rate across the period appreciating 6% compared with the same period last year. Overall, the increase in the average of Australian dollar exchange rates across the period compared with last year resulted in a decrease in revenue of approximately $12 million which corresponds to a negative impact on growth in revenue earned from management fees of approximately 4%. In the absence of the rise of the Australian dollar, growth in management fees would have been around 12%. Of course the Australian dollar is volatile and in some periods we will experience a benefit when the Australian dollar falls and in other periods we will be negatively impacted when the Australian dollar rises, as was the case in the past six months.

2 Adjusts for the current period performance fee impact on revenue and expenses for the six month period.

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Over the period, average Retail FUM increased by 10% and average Institutional FUM increased by 8%, compared with the prior corresponding period. The average annualised Base Management fee for the half year was 0.61%.

As a result of the acquisition of Frontier, the Group also now receives revenues relating to Frontier's third-party fund manager distribution business (excluding Magellan) which has been included in other revenue. Other revenue during the period was also impacted by a $4.5 million net foreign exchange loss.

Expenses

In considering the operating expenses of the Funds Management segment we exclude costs relating to strategic initiatives, for instance the IPOs of our closed-ended funds, the restructure of our global equities retail funds in December 2020, and funding of the discounts offered under any capital raisings (for example UPPs and DRPs) in our closed-ended funds.

We view these amounts as investments in building FUM and underpinning our long-term partnership approach, rather than contributing to day-to-day operating expenses.

Overall, the Funds Management business operated efficiently with a cost to income ratio (excluding performance fees) of 16.8% compared with 18.8% for the six months ended 31 December 2019.

Expenses decreased by 6% to $51.6 million over the previous corresponding period.

We expect Funds Management segment expenses for the 2021 financial year to be at the lower end of the $110-$115 million range, reflecting amongst other things, generally lower costs related to items such as travel and the effect of bringing forward bonus deferrals.

Ultimately the level of our expenses for the year will depend on a number of market related variables such as foreign exchange rates, FUM levels and unitholder activity. Although we pay close attention to our costs and have a cost-conscious culture, our current cost to income ratio of 16.8% means incremental changes in expenses will not be a material driver of profitability. For example, a $5 million increase in our expenses has roughly the same impact on profits as would an annualised revenue reduction resulting from a 0.8% decline in our FUM (something which can happen from day to day merely due to market movements).

The following table sets out total employee numbers:

	31 Dec 2020	30 June 2020
Investment		
Portfolio Managers/Analysts	**31**	31
Dealers	**3**	3
	34	34
Distribution & Marketing	**34**	34
Other (including Finance, Risk & Compliance, Admin)	**45**	44
Frontier	**11**	11
Airlie	**9**	8
Total	**133**	131
Average number of employees	**132**	128

As at 31 December 2020, the Group had 133 employees. We are pleased with the talent employed across the business and the bench strength of the management team. We expect future increases in employee numbers resulting from organic growth to be modest, reflecting scalability. Such increases are unlikely to occur evenly from one year to the next as the various areas of our business reach resource constraints at different points in time as we grow.

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Funds Under Management

As at 31 December 2020, the Group had FUM of $101.3 billion, split between global equities (74%), infrastructure equities (18%) and Australian equities (8%). This compares with FUM of $97.2 billion at 30 June 2020. The increase in FUM was driven by investment performance of approximately $1.3 billion and net inflows of $3.7 billion less cash distributions (net of reinvestment) of approximately $0.9 billion.

The following table sets out the composition of FUM:

	31 Dec 2020	30 June 2020
Retail	**27.4**	26.8
Institutional	**73.9**	70.4
Total FUM ($billion)	**101.3**	97.2
Retail (%)	**27%**	28%
Institutional (%)	**73%**	72%
FUM subject to performance fees (%)	**34%**	34%
Breakdown of FUM ($billion)		
- Global Equities	**75.1**	74.3
- Global Listed Infrastructure	**18.2**	15.9
- Australian Equities	**8.0**	7.0
Average Base Management fee (bps) per annum excluding performance fees[1]	**61**	62

[1] Calculated using management fees (excluding services and performance fees) for the relevant period divided by the average of month end FUM over the same period.

Retail FUM

The Group's retail business is focused on retail investors in Australia and New Zealand whom we target through two key channels: broker advised and financial advisers, and self-directed retail investors.

At 31 December 2020, the Group had total retail FUM of $27.4 billion. We experienced total net retail inflows of $1.4 billion for the six months to 31 December 2020, compared with $2.4 billion (including the proceeds of the Magellan High Conviction Trust IPO) for the previous corresponding period.

The Group experienced average monthly retail net inflows of approximately $234 million over the six months to 31 December 2020, compared with $256 million (excluding the proceeds of the Magellan High Conviction Trust IPO) over the previous corresponding period.

During the period we undertook several important new initiatives in the retail business that are outlined below:

Restructure of Global Equities retail funds

During the period we completed the restructure of our global equities retail funds. The restructured Magellan Global Fund now has funds under management of $15.6 billion as at 31 December 2020 and two unit classes – an open-ended unit class (ASX: MGOC / APIR: MGE0001AU) and a closed-ended unit class (ASX: MGF).

We believe the simplified single trust with an open-ended unit class and a closed-ended unit class is a positive step for investors and consolidates a number of the initiatives we have undertaken that began with the development of the Active ETF in 2015.

We have long recognised and understood that some investors prefer the characteristics and outcomes of investing in open-ended funds whereas others prefer closed-ended structures for the different characteristics and outcomes that they bring.

However, each of these structures has its own inefficiencies and drawbacks – for example, open-ended structures have largely been confined to the unlisted space with the associated burden of the application and redemption process, and closed-ended investors have historically had to fund establishment costs and importantly also deal with the prospect of large and persistent trading price discounts to net asset value.

By building on the changes we have already made, we believe bringing both open and closed-ended units together into a single trust should provide investors with valuable efficiencies. Establishing open and closed-ended unit classes over the same investment portfolio should help create an improved trading environment over time for the closed-ended unit class given the removal of any "basis risk" between the two securities; and open-ended class units can now be purchased and sold seamlessly either via the ASX and/or directly with the fund. Indeed, since the restructure was implemented on 8 December 2020, around 400 unitholders of open-ended units have elected to move their holdings from SRN to HIN, something that prior to the restructure could only have been achieved via a sale and purchase of units between different funds which would have led to an unnecessary tax crystallisation event.

Following the successful implementation of the restructure, we are also very pleased to have launched the Magellan Global Fund Partnership Offer which opened on 18 January 2021 and is expected to close on 23 February 2021. The Partnership Offer gives eligible Magellan Global Fund unitholders the ability to subscribe for $1 of Closed Class Units for every $4 of units held. Investors who take up their entitlement under the Partnership Offer will also receive Partnership Benefits in the form of:

- additional Closed Class Units worth 7.5% of their subscription; and
- one MGF Option for each Closed Class Unit allotted under the Offer. Each MGF Option will be exercisable into one Closed Class Unit with the exercise price set at a 7.5% discount to the Estimated NAV per Closed Class Unit at the time of exercise. The MGF Options are intended to be quoted on ASX and have a three-year term.

Importantly, these Partnership Benefits will be funded by Magellan and not by the Magellan Global Fund or its unitholders. This is consistent with our partnership approach and we believe this is an attractive opportunity for investors to increase their investment in the Magellan Global Fund.

Separately, Closed Class Unitholders will also be issued with bonus MGF Options under the Bonus MGF Option Issue on a one-for-two basis. These MGF Options will have the same terms as the MGF Options issued under the Partnership Offer, with Magellan again funding the exercise discount.

As with previous capital raisings with partnership benefits, these strategic initiatives will result in a material expense in the 2021 financial year which will be disclosed following the completion of the Partnership Offer. This expense will also include an amount related to the potential cost of funding the options exercise price discount. Accounting standards are conservative in this regard and dictate that a liability be recognised in the financial statements by assuming that all MGF Options are exercised over the three-year option term and calculating the related 7.5% discount amount, and then fully expensing this amount upfront. Over time, the liability will then move in line with changes in the closed-ended class unit price and when MGF Options are ultimately exercised. Any increase in the liability will be recorded as an additional expense in our profit or loss, and a decrease in the liability will result in a gain.

We view these costs as investments in building FUM and therefore do not include them in our Funds Management operating expenses and they are excluded when calculating shareholder dividends.

Magellan Sustainable Fund and MFG Core Series

We were pleased to launch the Magellan Sustainable Fund on the Chi-X securities exchange during the period (CXA: MSUF / APIR: MGE4669AU). The sustainable strategy continues to build its track record and we are delighted to be able to make this differentiated approach to portfolio construction available to retail investors.

During the period, we also launched the MFG Core Series on the Chi-X securities exchange. The MFG Core Series comprises three funds: MFG Core International Fund (CXA: MCSG / APIR: MGE3851AU), MFG Core ESG Fund (CXA: MCSE / APIR: MGE8722AU) and MFG Core Infrastructure Fund (CXA: MCSI / APIR: MGE9182AU). These funds are available for retail investors at a 0.50% management fee. We believe these funds provide an attractive lower cost investment alternative for those wishing to gain an exposure to Magellan's research and investment expertise but are not necessarily seeking our full actively managed portfolio services.

We now have eight Active ETFs quoted on an exchange with total FUM of $14.9 billion as at 31 December 2020, with some 60,000 unitholders holding directly on the unit registers either via an SRN or HIN. When combined with our listed closed-ended funds of $3.1 billion, our total direct unitholder base (that is, those holding directly on the register) is approximately 115,000.

Along with the continued growth in our retail business, we remain extremely focused on those clients and their advisers for whom we already manage money. Our highly experienced retail Distribution team is dedicated to providing value to our existing relationships and aims to support and partner with our adviser network by delivering clear and relevant information in a timely manner.

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The following table sets out the investment performance of the Magellan Global Fund, the Magellan Infrastructure Fund, the Magellan High Conviction Fund and the Airlie Australian Share Fund since their inceptions.

Investment Performance for the period to 31 December 2020[1]	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception % p.a.[2]
Magellan Global Fund[3]	**0.0**	**12.0**	**10.7**	**11.5**
MSCI World NTR Index ($A)	5.6	11.0	10.9	6.8
Magellan Infrastructure Fund	**-11.7**	**3.3**	**6.7**	**7.5**
Global Listed Infrastructure Benchmark ($A)[4]	-11.9	1.0	6.1	4.8
Magellan High Conviction Fund	**-2.4**	**9.4**	**10.8**	**14.0**
Airlie Australian Share Fund	**8.3**	**-**	**-**	**9.4**
S&P/ASX 200 Accum. Index	1.4	-	-	7.4

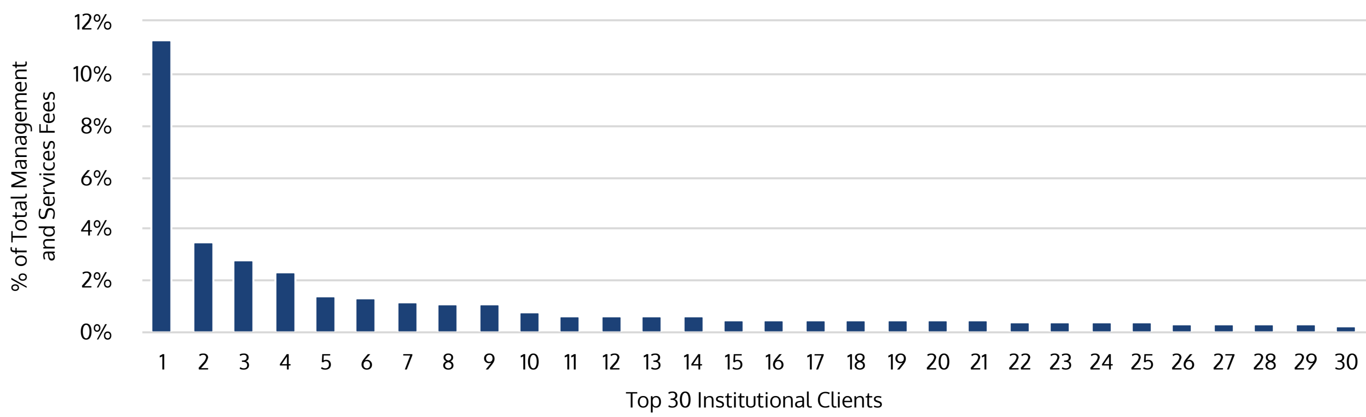
1 Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Annualised performance is denoted with "p.a." for the relevant period.
2 Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007, the inception date for Magellan High Conviction Fund is 1 July 2013 and the inception date for the Airlie Australian Share Fund is 1 June 2018.
3 Performance for the Magellan Global Fund Open Class
4 The Global Listed Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure and Utilities NTR Index (AUD Hedged) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (AUD Hedged).

Institutional FUM

At 31 December 2020, the Group had total institutional FUM of $73.9 billion from around 135 clients[3]. During the six months to 31 December 2020, we experienced institutional net inflows of $2.3 billion, which compares with net inflows of $1.2 billion for the previous corresponding period.

Although our institutional clients are located around the world, the Group seeks to implement a targeted approach to institutional distribution and therefore most of our institutional clients are based in North America, the UK and Australia/NZ. In February 2018, the Group acquired our North American distribution partner, Frontier. We view North America as a key market for our institutional distribution activities and we are delighted to have Bill Forsyth, Frontier's founder and Chairman, leading this activity.

We view our institutional business as well diversified by client. The following table and chart set out the percentage of management and services fees revenue generated by the top 30 institutional clients and highlights only four clients individually represent more than 2% of total management and services fees revenue.



Cumulative Total Management and Services Fees

Top Institutional Clients	5	10	20	30
%	21	27	32	35

3 The number of clients includes separately managed accounts and institutional investors in local and offshore vehicles.

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On 31 December 2017 we closed our core global equities strategies managed by Hamish Douglass to new institutional investors[4]. We do, however, expect to see continued inflows from existing institutional clients that have reserved capacity.

Our global listed infrastructure strategies continue to see interest from institutional investors, and we believe Magellan is well positioned to grow in this space given our unique approach to defining infrastructure and the consistent long-term investment outperformance the team has achieved. We believe the theoretical capacity of our global listed infrastructure strategies is approximately US$20 billion. At 31 December 2020, the Group's infrastructure FUM was US$14.1 billion.

We are also pleased with the continued development of our next generation of global equities strategies, the Sustainable strategies. Our Deputy CIO Dom Giuliano manages the Global Sustainable strategy, and our US Sustainable strategy is managed by Alan Pullen. Both strategies have recently passed their four year anniversaries and continue to gather investor interest and are engaged in finalising mandate discussions.

We believe both these strategies are well positioned on the back of solid track records and a thoughtful, differentiated sustainable investment approach. We estimate the theoretical capacity of the Sustainable strategies is approximately US$20 billion.

Principal Investments Segment

The Group's Principal Investments is a sub-set of the Group's balance sheet and consists of a portfolio of Internal Principal Investments and a portfolio of External Principal Investments. At 31 December 2020, the Group had net Principal Investments of $534.9 million, compared with $373.7 million at 30 June 2020.

The Internal Principal Investments portfolio is largely comprised of investments in our funds and seed portfolios for new strategies and initiatives. As at 31 December 2020, Internal Principal Investments totalled $364.8 million after allowing for tax on unrealised gains.

During the period we made three investments in our External Principal Investments portfolio:

- In September 2020 we made a $156 million investment for a 40% non-dilutive economic interest (5% voting interest) in Barrenjoey Capital Partners which is a newly established full service financial services firm;
- In October 2020 we invested $20 million for a circa 16% (fully diluted) interest in FinClear Holdings Limited which is a provider of technology, infrastructure and ASX market-access services; and
- In December 2020 we announced an investment in Guzman y Gomez (Holdings) Limited ("GYG"), an Australian based quick service restaurant chain specialising in made to order, clean, authentic and fresh Mexican food. This investment totalled $95.4 million for an 11% shareholding (fully diluted) and was acquired on 29 January 2021 (it is therefore not included in the total above or in the table on page 14).

We believe these investments have the potential to add to our intellectual capital, provide meaningful optionality and diversification prospects and importantly, generate substantial shareholder value over time. We carefully consider any External Principal Investment opportunity and there are four important criteria that the Board uses in its assessment:

1. High quality management teams: we do not want to be distracted from our clients and therefore we do not want to be operationally involved in these investments. We look for high quality management teams and oversee our investment through non-executive Board representation;
2. High quality companies with meaningful scale in their sector;
3. Companies that can contribute to the intellectual capital of Magellan and provide meaningful optionality; and
4. Attractive financial returns for shareholders.

The following is an update on each of the businesses within the External Principal Investments Portfolio:

Barrenjoey Capital Partners

The Barrenjoey business has made significant progress since our investment last September.

We are delighted that David Gonski has agreed to be the non-executive Chairman of the group which now has around 150 employees. The team that has been assembled is very high quality and has been gathered from around 30 different institutions, with no one institution representing more than 15% of those employed. Importantly, Barrenjoey has already managed to achieve good gender and age diversity amongst its ranks with around 40% of staff being women and over 50% being less than 40 years of age.

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[4] U.S. mutual fund will remain open with some allocated capacity.

Chief Executive Officer's Interim Letter

for the half year ended 31 December 2020

Barrenjoey's Advisory business has been operating and won mandates since late 2020, when the required licences were issued. The remaining business build and implementation is progressing well and in line with the original ambitious timetable. The Markets businesses (including cash equities, research, prime finance and fixed income) are due to go live progressively from the second quarter of 2021, and the necessary Markets AFSL licence and ASX membership remain subject only to operational readiness. The client onboarding process has already commenced with an overwhelming positive response, and integration with Barrenjoey's partner, Barclays, is well progressed to establish access to a significant balance sheet and a global distribution network.

More broadly the core group operational and business line systems and processes are currently being implemented without issue and the business is clearly benefiting from disciplined project management.

Overall, Barrenjoey has already established many of the key foundations needed for its business and is well on track to complete those that remain. We believe Barrenjoey's future is bright.

FinClear Holdings

FinClear was established in 2015 and is an Australian company providing infrastructure, services and technology solutions that support the complete wealth management lifecycle. Today, FinClear employs over 60 employees across offices in Sydney, Melbourne and Perth, with almost half of staff operating within the technology division.

FinClear offers a complete suite of trading and administrative functions for any business providing financial advice or wealth management services, be that an adviser, stockbroker, or fintech. The business currently services around 740 financial planners and 13,500 separate managed discretionary accounts.

FinClear either directly trades, clears and settles, or provides technology that services, more than half of all retail equity transactions completed in Australia each day and is well positioned to grow its HIN platform which currently hosts $7 billion for end investors.

We are delighted to be a shareholder of FinClear and share a common vision of working to provide investors with a simple, convenient and frictionless investment experience. Through our relationship we are looking forward to working with FinClear to help innovate in this space as the next generation of technologies (such as distributed ledgers) become available.

Guzman y Gomez

GYG is a very impressive business and has grown significantly since opening its first restaurant in Newtown, Sydney in 2006.

Today, GYG is Australia's fastest growing fast food business with 27% growth in Australian like-for-like sales in the 2021 financial year to date. GYG has expanded its footprint to 148 restaurants across Australia, Singapore, Japan and the US.

In Australia, annualised sales for the first seven months of the 2021 financial year were $387 million and globally, annualised sales totalled $410 million. Over 70% of GYG restaurants are exceeding a 25% return on investment.

Since its founding, GYG has established a differentiated position in the quick serve restaurant ("QSR") space by offering its customers clean, authentic, fresh and made to order Mexican food, coupled with a high quality guest experience from customer service and speed, to restaurant design and accessibility.

Magellan has deep investment experience in the QSR space, having held investments across a number of companies in our funds for many years. We believe the GYG business has a tremendous long-term growth outlook which is uniquely combined with a highly skilled, deeply experienced and passionate management team and board. We are excited to be a shareholder not just for the likely compelling financial returns, but also for the learnings we will inevitably receive along GYG's growth journey. We believe there is much we can learn to add to our intellectual capital including expanding our investment knowledge in the QSR space, and enhancing the development of Magellan's retail business more broadly.

Chief Executive Officer's Interim Letter

for the half year ended 31 December 2020

The following table sets out a summary of the Group's Principal Investments as at 31 December 2020.

$million	31 Dec 2020	30 Jun 2020
Internal investments		
Cash	**0.7**	1.4
Investments in:		
Magellan funds[1]	**387.3**	388.3
Seed portfolios	**8.8**	7.8
Other[2]	**0.5**	7.4
External investments		
Equity accounted investments[3]	**170.1**	-
Total	**567.4**	404.9
Net deferred tax liability[4]	**(32.5)**	(31.2)
Net Principal Investments	**534.9**	**373.7**
Net Principal Investments per share (cents)[5]	**291.2**	**205.0**

1 Investments are set out in note 7 of the financial statements.
2 Comprises receivables and payables.
3 Comprises interests held in Barrenjoey Group Holdings Pty Ltd and FinClear Holdings Ltd (refer note 8 of the financial statements for further details) and excludes Guzman y Gomez (Holdings) Limited which was acquired on 29 January 2021.
4 Arises from changes in the fair value of financial assets offset by the deferred tax asset relating to unused tax losses.
5 Based on 183,687,634 ordinary shares on issue at 31 December 2020 (30 June 2020: 182,280,222 ordinary shares).

We aim to earn satisfactory returns on our Principal Investments portfolio over time while maintaining capital strength to underpin the Group's business. The Board has established a pre-tax return hurdle of 10% per annum over the business cycle for the Principal Investments portfolio.

The Group's Principal Investments portfolio has returned pre-tax (1.2)%, 10.8% and 10.4% per annum over the last 1, 3 and 5 years to 31 December 2020 respectively. Excluding the effect of the Group's previous investment in MFF Capital Investments Limited, disposed of by way of an in-specie distribution to shareholders in February 2013, the portfolio returned pre-tax 11.0% per annum since inception from 1 July 2007. The inception date of 1 July 2007 has been chosen to reflect the first purchase date of the investments in the Magellan Global Fund and Magellan Infrastructure Fund.

Other

Capital Management

As at 31 December 2020, the Group's financial position included:

- investment assets (cash and cash equivalents, financial assets and equity accounted investments) of $906.9 million (30 June 2020: $836.0 million). The Group's cash position at 31 December 2020 was $338.8 million and current receivables were $97.2 million. Dividends of $178.4 million are due to be paid to shareholders on 25 February 2021;
- net assets of $1,099.2 million (30 June 2020: $1,045.9 million) which includes $114.5 million of intangible assets following the acquisitions of Airlie and Frontier;
- net tangible assets per share of $5.36 (30 June 2020: $5.08); and
- total liabilities of $57.4 million which relate predominantly to payables, provisions and lease liabilities. The Group has no debt and has access to an undrawn debt facility.

Although our business is capital light, we continually think about the use of capital balancing the following needs:

- maintaining a strong balance sheet in proportion to the scale of our business to ensure the continued support of our clients, which has proved particularly important in these times of uncertainty;
- ensuring flexibility for growth whether that be through new fund launches or strategic opportunities; and
- delivering capital efficiency, solid dividends and attractive returns for shareholders.

Chief Executive Officer's Interim Letter

for the half year ended 31 December 2020

Retirement Income

We continue to make progress on our product focussed on the retirement income problem. This product approaches the problem in a different manner than those that are currently available, and as such it is important that we gain the necessary clearances from the various regulators. Whilst the timing of such clearances is out of our hands, key meetings are scheduled over the next couple of months.

Closing Remarks

Whilst the first half of this financial year has been challenging due the vagaries of the virus, it has also been very productive. Our entire team has worked extremely hard and over the period has achieved a great deal, as outlined above. They deserve much praise and thanks.

Thanks also to Hamish and our board for all the support during the period. Our board works extremely well together and has devoted great energy towards considering the many issues that arose during the period and contributed significantly to the outcomes that have been achieved.

Lastly, we welcomed Colette Garnsey to the board of Magellan late last year as a non-executive director. Colette is a tremendous addition to our board and Magellan will be well served over the coming years by the breadth and depth of her experience and her wise counsel.

Yours faithfully,

Brett Cairns
CEO

11 February 2021

Directors' Report

For the half year ended 31 December 2020

The Directors present their report together with the financial statements of Magellan Financial Group Limited (the "Company" or "MFG") and its controlled entities (the "Group") for the half year ended 31 December 2020.

1. Directors

		Appointed
Hamish Douglass	Chairman and Chief Investment Officer	21 November 2006
Brett Cairns	Chief Executive Officer	22 January 2007
John Eales	Non-Executive Director	1 July 2017
Robert Fraser	Non-Executive Director and Chairman of MAM[1]	23 April 2014
Colette Garnsey	Non-Executive Director	30 November 2020
Paul Lewis	Non-Executive Director	20 December 2006
Hamish McLennan	Non-Executive Director and Deputy Chairman	1 March 2016
Karen Phin	Non-Executive Director	23 April 2014

[1] Magellan Asset Management Limited ("MAM").

2. Dividends

The Directors have declared an interim dividend of 97.1 cents per ordinary share (75% franked) in respect of the half year ended 31 December 2020 (December 2019: 92.9 cents per ordinary share 75% franked). The amount of the interim dividend expected to be paid on 25 February 2021, but not recognised as a liability as at 31 December 2020, is approximately $178,361,000 (December 2019: $169,339,000).

The Company's policy is to pay Interim and Final Dividends of 90% to 95% of the net profit after tax of the Group's funds management business excluding performance fees. Net profit after tax of the funds management business excludes amortisation of intangibles and costs related to strategic initiatives. In addition to the Interim and Final Dividends, the Directors will pay an annual Performance Fee Dividend of 90% to 95% of net crystallised performance fees after tax. Any Performance Fee Dividend will be paid annually alongside the Final Dividend. The payment of dividends by the Group will be subject to corporate, legal and regulatory considerations.

3. Review of Financial Results and Operations

3.1. Reconciliation of Net Profit After Tax to Adjusted Net Profit After Tax

The Group's net profit after tax ("Statutory net profit") and earnings per share are prepared in accordance with Australian Accounting Standards. The Group also reports a number of non-International Financial Reporting Standards ("non-IFRS") financial measures including "adjusted revenue and other income", "adjusted net profit after tax" and "adjusted basic and diluted EPS" which are shown on the next page. Refer to section 3.2 for further details on non-IFRS financial measures.

The Group's statutory net profit after tax for the half year ended 31 December 2020 was $202,328,000, up $6,650,000 on the prior corresponding half year. The Group's adjusted net profit after tax was $213,070,000 (December 2019: $216,761,000) which excludes various non-IFRS adjustments as shown on the following page.

3.1 Reconciliation of Net Profit After Tax to Adjusted Net Profit After Tax (continued)

	31 Dec 2020		31 Dec 2019	
	Statutory $'000	Non-IFRS $'000	Statutory $'000	Non-IFRS $'000
Management and services fees	**311,350**	311,350	288,246	288,246
Performance fees	**12,421**	12,421	41,683	41,683
Share of after tax results of equity accounted investments	**(6,081)**	(6,081)	-	-
Other revenue and income	**1,385**	1,385	34,256	34,256
Total revenue and other income	**319,075**	**319,075**	364,185	364,185
Adjust for: net unrealised change in fair value of financial assets and liabilities		8,000		(27,118)
Adjusted revenue and other income		327,075		337,067
Total expenses	**(58,997)**	**(58,997)**	(112,274)	(112,274)
Adjust for: transaction costs related to strategic initiatives[1]		4,068		53,908
Adjust for: amortisation of intangible assets		2,294		2,330
Adjusted expenses		(52,635)		(56,036)
Income tax expense	**(57,750)**	**(57,750)**	(56,233)	(56,233)
Adjust for: tax expense on above adjustments		(3,620)		(8,037)
Adjusted income tax expense		(61,370)		(64,270)
Net profit after income tax expense for the half year	**202,328**		195,678	
Adjusted net profit after income tax expense for the half year		213,070		216,761
Basic and diluted earnings per share	**110.6**		108.2	
Adjusted basic and diluted earnings per share		116.4		119.9

1 Costs comprise the DRP discount funding costs paid by MFG to MHH and MGG and, in the current period, the restructure costs of MGF. In the prior period, costs also include MHH's IPO costs.

3.2. Non-IFRS Financial Measures

Non-IFRS financial measures are measures that are not defined or specified under IFRS. The Directors believe non-IFRS financial measures assist in providing additional meaningful information about the performance of the business and period-to-period comparability by adjusting for strategic, non-cash or unrealised items which affect the Group's statutory financial results.

Non-IFRS financial measures should be viewed in addition to, and not as a substitute for, the Group's statutory results. These measures may also differ from non-IFRS measures used by other companies.

The Group's non-IFRS financial measures are presented with reference to the Australian Securities & Investments Commission ("ASIC") Regulatory Guide 230 *Disclosing non-IFRS financial information,* issued in December 2011. Non-IFRS financial measures are not subject to audit or review.

3.3. Statement of Financial Position

The Group is in a strong financial position and at 31 December 2020 reported:

- investment assets (cash and cash equivalents, financial assets and equity accounted investments) of $906,942,000 (June 2020: $835,950,000) and shareholders' funds of $1,099,200,000 (June 2020: $1,045,927,000); and
- NTA per share of $5.36 (June 2020: $5.08).

On 4 October 2020, the Group also extended its floating rate facility for a further three years.

Refer to the Chief Executive Officer's Interim Letter on page 3 for further information on the Group's operations, including details on the Group's results, strategy and future outlook.

Directors' Report

For the half year ended 31 December 2020

4. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group that occurred during the half year ended 31 December 2020 other than as disclosed in this report or the financial statements.

5. Events Subsequent to the End of the Half Year

Other than the items below and the dividend disclosed in respect of the six months ended 31 December 2020 discussed at section 2, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial periods.

Global Equities Restructure

During the period, MAM completed the restructure of three global equities retail funds – Magellan Global Fund, Magellan Global Equities Fund and Magellan Global Trust – into a single trust, being the Magellan Global Fund ("MGF"). The restructured MGF now has two unit classes on issue – the Open Class Units and the Closed Class Units – with total funds under management of $15.6 billion as at 31 December 2020.

In January 2021, MAM launched the Magellan Global Fund Partnership Offer ("Partnership Offer"), allowing eligible MGF unitholders to subscribe for $1 of Closed Class Units for every $4 of MGF Units held.

Investors who take up their entitlement under the Partnership Offer will also receive benefits in the form of:

- additional Closed Class Units worth 7.5% of their subscription; and
- one MGF option ("MGF Option") for each Closed Class Unit allotted under the Partnership Offer. Each MGF Option will be exercisable into one Closed Class Unit with the exercise price set at a 7.5% discount to the Estimated NAV per Closed Class Unit at the time of exercise. The MGF Options are intended to be quoted on the ASX and have a three-year term. MGF Options will be able to be exercised by holders daily from 1 June 2021 to 1 March 2024.

The Partnership Offer opened on 18 January 2021 and closes on 23 February 2021 with allotment of Closed Class Units and MGF Options expected on 1 March 2021.

In addition to the Partnership Offer, MAM will also issue eligible Closed Class Unitholders in the Magellan Global Fund with bonus MGF Options on a one-for-two basis ("Bonus MGF Option Issue"). These bonus MGF Options will have the same terms as the MGF Options issued under the Partnership Offer.

The 7.5% discount associated with the additional Closed Class Units and the MGF Options for both the Partnership Offer and the Bonus MGF Option Issue will be funded by the Group and not by MGF or its unitholders. Accounting standards are conservative with regard to the MGF Options and dictate that a liability be recognised in the financial statements by assuming that all MGF Options are exercised over the three-year option term and calculating the related 7.5% discount amount, and then fully expensing this amount upfront.

As a result, for accounting purposes the Group will recognise a material expense in relation to the Partnership Offer and the Bonus MGF Option Issue in the 2021 financial year. Over time, the liability will then move in line with changes to the Closed Class Unit price and when MGF Options are ultimately exercised. Any increase in the liability will be recorded as an additional expense in our profit or loss, and a decrease in the liability will result in a gain.

Due to the significant inherent uncertainties of estimating the likely take-up of entitlements under the Partnership Offer, the Directors are unable to quantify with any meaningful reliability the expense that will be recognised by the Group in relation to the Partnership Offer until it is completed on 23 February 2021. For indicative purposes, for every $100m of entitlements taken up under the Partnership Offer, the Group will recognise an after-tax cost of $10.9m which assumes 100% of the MGF Options in respect of the Partnership Offer are exercised and a Closed Class NAV price per unit on 9 February 2021 of $1.81.

Also, for indicative purposes, with respect to the Bonus MGF Options Issued for Closed Class Units as at 9 February 2021, the Group will incur an after-tax cost of $59m assuming all MGF Options in respect of this bonus issue are exercised at the above NAV price per unit.

Investment in Guzman y Gomez

On 29 January 2021, MFG acquired a 12% shareholding (11% on a fully diluted basis) in Guzman y Gomez (Holdings) Limited ("GYG"), an Australian based quick service restaurant chain, for cash consideration of $95,400,000. The investment in GYG forms part of Magellan's Principal Investments.

Funds Under Management

On 5 February 2021, the Group reported to the Australian Securities Exchange ("ASX") that its funds under management was $100.4 billion as at 31 January 2021.

6. Rounding of Amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

7. Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

This report is made in accordance with a resolution of the Directors.

Hamish M Douglass
Chairman

Sydney
11 February 2021

Building a better
working world

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Auditor's independence declaration to the directors of Magellan Financial Group Limited

As lead auditor for the review of the half-year report of Magellan Financial Group Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Magellan Financial Group Limited and the entities it controlled during the financial period.

Ernst & Young

Clare Sporle
Partner
11 February 2021

Consolidated Statement of Profit or Loss and Comprehensive Income

for the half year ended 31 December 2020

	Note	31 Dec 2020 $'000	31 Dec 2019 $'000
Revenue			
Management fees	5	**309,350**	285,896
Performance fees	5	**12,421**	41,683
Services fees	5	**2,000**	2,350
Advisory fees		**858**	1,545
Dividend and distribution income		**7,217**	1,059
Interest income		**1,022**	2,198
Share of after tax results of equity accounted investments		**(6,081)**	-
Net change in the fair value of financial assets and liabilities:			
Realised		**5,077**	197
Unrealised		**(8,000)**	27,118
Net foreign exchange (loss)/gain		**(4,789)**	2,139
Total revenue and other income		**319,075**	364,185
Expenses			
Employee expenses		**34,275**	36,245
Non-Executive Director fees		**235**	228
Fund administration and operational costs		**9,511**	9,224
Information technology and information services		**3,648**	2,928
Marketing		**860**	1,438
Legal and professional fees		**675**	1,390
Travel and entertainment		**83**	1,153
Auditor remuneration		**513**	578
Depreciation		**1,292**	1,052
Amortisation		**2,294**	2,330
Foreign and withholding taxes		**184**	115
Transaction costs related to strategic initiatives		**4,068**	53,908
Finance costs		**538**	591
Other expenses		**821**	1,094
Total expenses		**58,997**	112,274
Net profit before income tax expense		**260,078**	251,911
Income tax expense	6	**(57,750)**	(56,233)
Net profit after income tax expense for the half year		**202,328**	195,678
Other comprehensive income for the half year			
Exchange differences on translation of foreign operations		**(4,459)**	(77)
Other comprehensive income for the half year, net of tax		**(4,459)**	(77)
Total comprehensive income for the half year		**197,869**	195,601
Basic earnings per share (cents per share)	3	**110.6 cents**	108.2 cents
Diluted earnings per share (cents per share)	3	**110.6 cents**	108.2 cents

The Consolidated Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 2020 $'000	30 Jun 2020 $'000
Current assets			
Cash and cash equivalents		**338,762**	437,513
Financial assets	7	**1,650**	2,017
Loans and receivables		**97,249**	136,428
Prepayments		**1,887**	775
Other assets		**721**	385
Total current assets		**440,269**	577,118
Non-current assets			
Financial assets	7	**396,413**	396,420
Equity accounted investments	8	**170,117**	-
Loans and receivables		**17,635**	13,567
Property, plant and equipment		**13,104**	14,251
Intangible assets		**114,466**	120,552
Other assets		**4,568**	1,965
Total non-current assets		**716,303**	546,755
Total assets		**1,156,572**	1,123,873
Current liabilities			
Payables		**25,767**	34,682
Provisions		**1,774**	1,437
Income tax payable		**3,515**	20,179
Lease liabilities		**2,189**	2,411
Total current liabilities		**33,245**	58,709
Non-current liabilities			
Net deferred tax liability		**7,235**	1,250
Provisions		**3,492**	3,110
Lease liabilities		**13,400**	14,877
Total non-current liabilities		**24,127**	19,237
Total liabilities		**57,372**	77,946
Net assets		**1,099,200**	1,045,927
Equity			
Contributed equity	9	**603,057**	525,271
Reserves		**416,157**	360,307
Retained profits		**79,986**	160,349
Total equity		**1,099,200**	1,045,927

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2020

	Note	Contributed Equity $'000	Profits Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Profits $'000	Total Equity $'000
Opening balance at 1 July 2020		**525,271**	**356,925**	**3,382**	**160,349**	**1,045,927**
Net profit for the half year		**-**	**-**	**-**	**202,328**	**202,328**
Other comprehensive income for the half year		**-**	**-**	**(4,459)**	**-**	**(4,459)**
Total comprehensive income for the half year		**-**	**-**	**(4,459)**	**202,328**	**197,869**
Transactions with owners in their capacity as owners:						
Issue of shares:						
to acquire Barrenjoey Group Holdings Pty Limited	9	**66,033**	**-**	**-**	**-**	**66,033**
under share purchase agreements ("SPA")	9	**11,712**	**-**	**-**	**-**	**11,712**
transaction costs of share issues, net of tax	9	**(70)**	**-**	**-**	**-**	**(70)**
Dividends paid	4	**-**	**(222,382)**	**-**	**-**	**(222,382)**
SPA expense for the half year	9	**111**	**-**	**-**	**-**	**111**
Transfer (from)/to profits reserve		**-**	**282,691**	**-**	**(282,691)**	**-**
Closing balance at 31 December 2020		**603,057**	**417,234**	**(1,077)**	**79,986**	**1,099,200**
Opening balance at 1 July 2019		243,150	-	2,500	488,372	734,022
Adoption of AASB 16		-	-	-	(698)	(698)
Restated opening balance at 1 July 2019		243,150	-	2,500	487,674	733,324
Net profit for the half year		-	-	-	195,678	195,678
Other comprehensive income for the half year		-	-	(77)	-	(77)
Total comprehensive income for the half year		-	-	(77)	195,678	195,601
Transactions with owners in their capacity as owners:						
Issue of shares:						
under institutional placement	9	275,000	-	-	-	275,000
under SPA	9	8,970	-	-	-	8,970
transaction costs of share issue and placement, net of tax	9	(3,723)	-	-	-	(3,723)
Dividends paid	4	-	-	-	(197,275)	(197,275)
SPA expense for the half year	9	232	-	-	-	232
Closing balance at 31 December 2019		523,629	-	2,423	486,077	1,012,129

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Cash Flows

for the half year ended 31 December 2020

	Note	31 Dec 2020 $'000	31 Dec 2019 $'000
Cash flows from operating activities			
Management and services fees received (inclusive of GST)		**322,474**	286,985
Performance fees received (inclusive of GST)		**47,852**	55,932
Advisory fees received		**982**	1,691
Dividends and distributions received		**16,600**	10,916
Interest received		**683**	1,887
Finance costs paid		**(542)**	(590)
Tax paid		**(68,342)**	(63,987)
Payments to suppliers and employees (inclusive of GST)		**(78,356)**	(79,992)
Payments of transaction costs related to strategic initiatives		**(4,411)**	(1,805)
Net cash inflows/(outflows) from operating activities		**236,940**	211,037
Cash flows from investing activities			
Proceeds from sale of financial assets and liabilities		**36,255**	1,730
Purchases of financial assets and liabilities		**(41,942)**	(51,971)
Purchases of equity accounted investments	8	**(110,000)**	-
Purchases of property, plant and equipment		**(151)**	(166)
Net returns/(placements) of cash on term deposits		**367**	(5)
Net repayments from/(loans to) third party		**7,500**	(2,500)
Net cash inflows/(outflows) from investing activities		**(107,971)**	(52,912)
Cash flows from financing activities			
Net proceeds from issue of shares		**(100)**	270,554
Proceeds from repayment of share purchase agreements		**684**	1,131
Dividends paid	4	**(221,224)**	(196,261)
Payments of principal under office premise leases		**(1,845)**	(1,017)
Net cash inflows/(outflows) from financing activities		**(222,485)**	74,407
Net increase/(decrease) in cash and cash equivalents		**(93,516)**	232,532
Effects of exchange rate movements on cash and cash equivalents		**(5,235)**	1,986
Cash and cash equivalents at the beginning of the half year		**437,513**	198,188
Cash and cash equivalents at the end of the half year		**338,762**	432,706

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

For the half year ended 31 December 2020

Overview

Magellan Financial Group Limited (the "Company" or "MFG") is a for-profit entity that is incorporated and domiciled in Australia. The Company is listed on the Australian Securities Exchange ("ASX") (ticker code: MFG).

This condensed interim financial report comprises the consolidated financial report of MFG and its subsidiaries ("the Group"). This financial report was authorised for issue in accordance with a resolution of the Directors on 11 February 2021 and the Directors have the power to amend and reissue this financial report.

1. Basis of Preparation

This condensed interim financial report for the six months ended 31 December 2020 is a general purpose financial report and has been prepared in accordance with AASB 134 Interim Financial Reporting, the *Corporations Act 2001* and other mandatory professional reporting requirements.

All amounts in this financial report are presented in Australian dollars ($) and rounded to the nearest thousand dollars ($'000) in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless stated otherwise.

This condensed interim financial report does not include all the information and disclosures normally included in the Group's annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2020 Annual Report and any public announcements made in respect of the Group during the half year ended 31 December 2020 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

1.1. Accounting Policies

The accounting policies adopted in the preparation of this financial report are consistent with those of the previous financial year and corresponding interim reporting period except for the accounting policy set out in note 8 on equity accounted investments and the adoption of the revised Conceptual Framework ("Conceptual Framework") on 1 July 2020. The Conceptual Framework included amendments to the definition and recognition criteria for assets, liabilities, income and expenses, guidance on measurement and derecognition, and other relevant financial reporting concepts and resulted in no impact on the Group.

The Group has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective at reporting date.

1.2. Critical Accounting Estimates and Judgements

In applying the Group's accounting policies, a number of estimates and assumptions have been made concerning the future. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable. As a result, actual results could differ from those estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the 30 June 2020 Annual Report.

Impacts of COVID-19

The impacts of the COVID-19 pandemic on the Group were disclosed in note 1(c) of the Group's 30 June 2020 Annual Report and remain broadly unchanged at the date of this financial report. Despite the pandemic continuing throughout the period of this report, there have been no new adverse impacts on the Group's financial results or risks arising from COVID-19 and the Group 's operations and services are operating efficiently and largely unaffected. Whilst share market and currency volatility remains, the Group's funds under management at 31 January 2021 is up approximately 3% to $100.4 billion since 30 June 2020. In addition, the Group has not recorded any impairments of its goodwill or equity accounted investments during the half year ended 31 December 2020 nor has it experienced any recovery issues with its management, services and performance fees or other receivable balances. The Group maintained solvency throughout the half year ended 31 December 2020 with strong cash reserves ($338.8m as at 31 December 2020), access to liquid investments ($398.1m at 31 December 2020) and an undrawn credit facility which more than covered the Group's obligations and regulatory capital requirements.

Notes to the Financial Statements

For the half year ended 31 December 2020

2. Segment Information

The Group's business activities are organised into the following reportable operating segments for internal management purposes:

Funds Management

The Funds Management segment provides investment funds management to high net worth and retail investors in Australia and New Zealand, and institutional investors globally. The Funds Management activities include:

- Investment research and administrative services to MFF Capital Investments Limited and select client mandates;
- Investment Manager or Sub-adviser to other external wholesale client mandates; and
- Acting as Responsible Entity/Trustee ("RE") and/or Investment Manager ("IM") for the following funds:

Australian funds[1]	**RE**	**IM**
Magellan Global Fund	✓	✓
Magellan Global Fund (Hedged)	✓	✓
Magellan Global Equities Fund (Currency Hedged)	✓	✓
Magellan Infrastructure Fund	✓	✓
Magellan Infrastructure Fund (Unhedged)	✓	✓
Magellan Infrastructure Fund (Currency Hedged)	✓	✓
Magellan High Conviction Fund	✓	✓
Magellan High Conviction Trust	✓	✓
Magellan Core Infrastructure Fund[2]	✓	✓
MFG Core International Fund[2]	✓	✓
MFG Core ESG Fund[2]	✓	✓
Magellan Sustainable Fund	✓	✓
Airlie Australian Share Fund	✓	✓
Airlie Concentrated Share Fund	✓	✓
Irish funds		
MFG Global Fund[3]		✓
MFG Select Infrastructure Fund[3]		✓
MFG Global Sustainable Fund[3]		✓
Other international funds		
Frontier MFG Global Equity Fund[4]		✓
Frontier MFG Global Plus Fund[4]		✓
Frontier MFG Core Infrastructure Fund[4]		✓
Frontier MFG Select Infrastructure Fund[4]		✓
Frontier MFG Global Sustainable Fund[4]		✓
MFG High Conviction Master Fund		✓

[1] Magellan Global Equities Fund and Magellan Global Trust were acquired by Magellan Global Fund as part of the restructure (refer to note 11).
[2] Collectively, the Core Series Funds which were launched on 15 December 2020.
[3] Funds authorised under the European Communities (Undertakings for Collective Investment in Transferable Securities ("UCITS")).
[4] Collectively, the Frontier MFG Funds.

Current tax liabilities and deferred tax assets/liabilities that arise from the operations of the Funds Management business are included within the Corporate segment.

Principal Investments

The Principal Investments segment comprises the Principal Investments portfolio which includes direct investments in Magellan Funds and a select portfolio of listed Australian and international equities and cash, along with the Group's equity accounted investments and the deferred tax assets/liabilities arising from the change in carrying value of these investments.

Corporate

The Corporate segment includes interest income on loans issued by the Group including loans under share purchase agreements and cash (including term deposits), corporate costs including Non-Executive Directors' fees relating to the Company's Board and Committees, all current tax liabilities and deferred tax assets/liabilities excluding those arising from changes in the carrying value of financial assets which are shown in Principal Investments.

No operating segments have been aggregated to form the above reportable operating segments and inter-segment revenues and expenses (where applicable) have been eliminated on consolidation.

Notes to the Financial Statements

For the half year ended 31 December 2020

Segment Financial Results

The operating results of the Group's operating segments, excluding income tax expense, are as follows:

	Funds Management $'000[1]	Principal Investments $'000	Corporate $'000	Total $'000
31 December 2020				
Segment revenue				
Management fees	309,350	-	-	**309,350**
Performance fees	12,421	-	-	**12,421**
Services fees	2,000	-	-	**2,000**
Advisory fees	858	-	-	**858**
Dividend and distribution income	-	7,217	-	**7,217**
Interest income	34	1	987	**1,022**
Share of after tax results of equity accounted investments	-	(6,081)	-	**(6,081)**
Net change in fair value of financial assets and liabilities:				
Realised	-	5,077	-	**5,077**
Unrealised	-	(8,000)	-	**(8,000)**
Net foreign exchange gain/(loss)	(4,494)	(87)	(208)	**(4,789)**
Total segment revenue and other income	320,169	(1,873)	779	**319,075**
Segment expenses				
Employee expense	34,220	-	55	**34,275**
Non-Executive Directors' fees	146	-	89	**235**
Other expenses	17,190	114	821	**18,125**
Total segment expenses	51,556	114	965	**52,635**
Total segment operating profit before income tax expense	268,613	(1,987)	(186)	**266,440**
Other comprehensive income				
Exchange differences on translation of foreign operations	(4,459)	-	-	**(4,459)**
Other comprehensive income for the half year, before tax	(4,459)	-	-	**(4,459)**
Total comprehensive income for the half year, before tax	264,154	(1,987)	(186)	**261,981**

1 Includes elimination of income and expense under the transfer pricing agreements between MAM and US controlled entities, within the Funds Management segment.

Reconciliation of Segment Operating Profit Before Tax to Net Profit After Tax

	31 Dec 2020 $'000	31 Dec 2019 $'000
Segment operating profit before income tax expense	**266,440**	308,149
Individually significant items and amortisation of intangibles:		
Amortisation of intangible assets[1]	**(2,294)**	(2,330)
Transaction costs related to strategic initiatives:		
Restructure costs of Magellan Global Fund ("MGF")	**(3,544)**	-
DRP discount funding costs paid to Magellan funds[2]	**(524)**	(506)
IPO costs for Magellan High Conviction Trust ("MHH")	**-**	(53,402)
Net profit before income tax expense	**260,078**	251,911
Income tax expense	**(57,750)**	(56,233)
Net profit after income tax expense for the half year	**202,328**	195,678

1 Amortisation expense on intangible assets acquired in Airlie Funds Management and Frontier Partners Inc, Frontegra Strategies LLC and Frontegra Asset Management Inc (collectively, the "Frontier Group").

2 Relates to MFG's payment to MHH and Magellan Global Trust ("MGG") to ensure unitholders who did not participate in the MHH and MGG Dividend Reinvestment Plan ("DRP") suffered no net asset value per share dilution as a result of the DRP discount.

Notes to the Financial Statements

For the half year ended 31 December 2020

Segment Financial Results (continued)

	Funds Management $'000[1]	Principal Investments $'000	Corporate $'000	Total $'000
31 December 2019				
Segment revenue				
Management fees	285,896	-	-	285,896
Performance fees	41,683	-	-	41,683
Services fees	2,350	-	-	2,350
Advisory fees	1,545	-	-	1,545
Dividend and distribution income	-	1,059	-	1,059
Interest income	148	3	2,047	2,198
Share of after tax results of equity accounted investments	-	-	-	-
Net change in fair value of financial assets and liabilities:				
Realised	-	197	-	197
Unrealised	-	27,118	-	27,118
Net foreign exchange gain/(loss)	2,290	(151)	-	2,139
Total segment revenue and other income	333,912	28,226	2,047	364,185
Segment expenses				
Employee expense	36,184	-	61	36,245
Non-Executive Directors' fees	142	-	86	228
Other expenses	18,575	111	877	19,563
Total segment expenses	54,901	111	1,024	56,036
Total segment operating profit before income tax expense	279,011	28,115	1,023	308,149
Other comprehensive income				
Exchange differences on translation of foreign operations	(77)	-	-	(77)
Other comprehensive income for the half year, before tax	(77)	-	-	(77)
Total comprehensive income for the half year, before tax	278,934	28,115	1,023	308,072

[1] Includes elimination of income and expense under the transfer pricing agreements between MAM and US controlled entities, within the Funds Management segment.

Segment Assets and Liabilities

The assets and liabilities of the Group's segments are as follows:

	Funds Management $'000	Principal Investments $'000	Corporate $'000	Total $'000
31 December 2020				
Total assets	266,878	567,694	322,000	**1,156,572**
Total liabilities	45,339	38,554	(26,521)	**57,372**
Net assets	**221,539**	**529,140**	**348,521**	**1,099,200**
30 June 2020				
Total assets	306,344	405,207	412,322	1,123,873
Total liabilities	54,605	39,518	(16,177)	77,946
Net assets	**251,739**	**365,689**	**428,499**	**1,045,927**

Notes to the Financial Statements

For the half year ended 31 December 2020

3. Earnings Per Share

	31 Dec 2020	31 Dec 2019
Basic EPS		
Net profit attributable to shareholders ($'000)	202,328	195,678
Weighted average number of shares for basic EPS ('000)	183,015	180,769
Basic EPS (cents)	**110.6**	108.2
Diluted EPS		
Net profit attributable to shareholders ($'000)	202,328	195,678
Weighted average number of shares for diluted EPS ('000)	183,015	180,769
Diluted EPS (cents)	**110.6**	108.2

4. Dividends

	Total $'000	Cents per share	Franking %	Date Paid
During the half year ended 31 December 2020				
Prior year final dividend paid	**166,969**	**91.6**	75%	26 August 2020
Prior year performance fee dividend paid	**55,413**	**30.4**	75%	26 August 2020
Total dividends declared and paid during the half year[1]	**222,382**	**122.0**		
During the half year ended 31 December 2019				
Prior year final dividend paid	138,128	78.0	75%	29 August 2019
Prior year performance fee dividend paid	59,147	33.4	75%	29 August 2019
Total dividends declared and paid during the half year[1]	197,275	111.4		

[1] Includes dividends of Share Purchase Plan ("SPP") holders totalling $1,158,000 which were not paid in cash but rather applied directly against the holders' SPP loan balances (December 2019: $1,014,000).

Dividend Declared

On 11 February 2021, the Directors declared an interim dividend of 97.1 cents per ordinary share (75% franked) in respect of the half year ended 31 December 2020 (December 2019: 92.9 cents per ordinary share 75% franked).

A dividend payable to shareholders of the Group is only recognised for the amount of any dividend declared by the Directors on or before the end of the half year, but not paid at reporting date. Accordingly, the interim dividend totalling approximately $178,361,000 is not recognised as a liability and will be paid on 25 February 2021.

Imputation Credits

	31 Dec 2020 $'000	30 Jun 2020 $'000
Total imputation credits available for subsequent reporting periods based on a tax rate of 30% (June 2019: 30%)	**46,908**	61,728

The above amount comprises the balance of the imputation account as at the end of the reporting period, adjusted for franking credits that will arise from the payment of income tax liabilities after the end of the half year. The dividend declared by the Directors on 11 February 2021 will be partially franked out of existing franking credits, or out of franking credits arising from the payment of income tax.

Notes to the Financial Statements

For the half year ended 31 December 2020

5. Revenue

Management Fees

The management fees received/receivable during the half year were:

	31 Dec 2020 $'000	31 Dec 2019 $'000
Magellan Global Fund	**83,810**	77,821
Magellan Global Fund (Hedged)	**9,575**	4,741
Magellan Global Equities Fund (Currency Hedged)	**1,844**	783
Magellan Infrastructure Fund	**11,877**	11,135
Magellan Infrastructure Fund (Unhedged)	**4,928**	5,258
Magellan Infrastructure Fund (Currency Hedged)	**3,536**	2,516
Magellan High Conviction Fund	**4,573**	4,525
Magellan High Conviction Trust	**7,290**	3,131
Magellan Global Equities Fund	**9,567**	10,445
Magellan Global Trust	**12,810**	15,835
MFG Global Fund	**9,735**	10,059
MFG Select Infrastructure Fund	**1,112**	952
Frontier MFG Funds	**13,056**	11,722
Other funds and mandates	**135,637**	126,973
Total management fees	**309,350**	285,896

Performance Fees

Performance fees received/receivable for funds and mandates during the half year were:

	High watermark unit price ($)[1]	31 Dec 2020 $'000	31 Dec 2019 $'000
Based on performance relative to both market index and absolute return hurdle			
Magellan Global Fund (Open/Closed Class)	2.4716/1.7751	**103**	949
Magellan Global Fund (Hedged)	1.5778	**48**	52
Magellan Global Equities Fund (Currency Hedged)	3.1147	**-**	2
Magellan Infrastructure Fund	1.4258	**-**	217
Magellan Infrastructure Fund (Unhedged)	1.5144	**-**	40
Magellan Infrastructure Fund (Currency Hedged)	3.1209	**-**	51
Based on performance relative to absolute return hurdle			
Magellan High Conviction Fund (Class A/B)	1.9967(A)/1.2165(B)	**231**	5,017
Magellan High Conviction Trust	1.5549	**38**	5,612
MFG High Conviction Master Fund	-	**225**	1,191
Based on performance relative to a market index			
Other funds and mandates	various	**11,776**	28,552
Total performance fees earned		**12,421**	41,683

[1] The high watermark as at 31 December 2020 and adjusted for distributions. The high water mark is the NAV per Unit at the end of the most recent Calculation Period for which Magellan was entitled to a performance fee, less any income (including capital distributions) since the last performance fee period.

Management, Services and Performance Fees by Geographic Location

The geographical breakdown of the management, services and performance fees is as follows:

	31 Dec 2020 $'000	31 Dec 2019 $'000
Australia & New Zealand	**195,777**	206,473
United Kingdom & Europe	**74,688**	71,026
North America	**44,425**	43,298
Asia	**8,881**	9,132
Total management, services and performance fees	**323,771**	329,929

Management, Services and Performance Fees by Investor Type

The breakdown of management, services and performance fees by type of investor across global equities and infrastructure strategies is as follows:

	31 Dec 2020 $'000	31 Dec 2019 $'000
Management and services fees		
Retail	170,155	155,306
Institutional	141,195	132,940
Performance fees		
Retail	418	24,447
Institutional	12,003	17,236
Total management, services and performance fees	**323,771**	329,929
Total Retail	170,573	179,753
Total Institutional	153,198	150,176
Total management, services and performance fees	**323,771**	329,929

6. Taxation

For the half year ended 31 December 2020, the Group's estimated effective tax rate was 22.2% (December 2019: 22.3%), which includes taxes paid net of tax credits in foreign jurisdictions. This rate is below the Australian company tax rate of 30% primarily as a result of MAM's qualifying offshore banking ("OB") income, net of costs, attracting a concessional tax rate of 10%. For the six months to 31 December 2020, the effect of the concessional tax rate of 10% was to reduce tax expense by $21,154,000 (December 2019: $20,836,000).

The effective tax rate for the full financial year ending 30 June 2021 may change as it depends upon the proportion of qualifying OB income relative to total income.

Notes to the Financial Statements

For the half year ended 31 December 2020

7. Financial Assets

	31 Dec 2020 $'000	30 Jun 2020 $'000
Financial assets at amortised cost - Term deposits[1]	1,650	2,017
Total current financial assets	**1,650**	2,017
Financial assets at fair value through profit or loss		
Investments in funds[2]		
Magellan Global Fund[3]	**227,199**	144,551
Magellan Global Fund (Hedged)	**995**	927
Magellan Global Equities Fund (Currency Hedged)	**23,159**	21,823
Magellan Infrastructure Fund (Currency Hedged)	**11,777**	11,903
Magellan High Conviction Fund[4]	**28,878**	40,533
Magellan High Conviction Trust[5]	**19,066**	4,770
MFG Core International Fund[6]	**10,175**	-
MFG Core ESG Fund[7]	**10,029**	-
Magellan Sustainable Fund[8]	**5,000**	-
Magellan Wholesale Plus Global Fund	**9,752**	9,796
Magellan Wholesale Plus Infrastructure Fund	**5,872**	5,742
Frontier MFG Core Infrastructure Fund	**6,988**	7,180
Frontier MFG Global Plus Fund	**11,655**	11,734
Frontier MFG Global Sustainable Fund	**15,096**	15,157
MFG Global Sustainable Fund	**1,617**	1,630
Frontier Caravan Emerging Markets Fund[9]	**-**	21,039
Magellan Global Equities Fund[10]	**-**	84,076
Magellan Global Trust[10]	**-**	7,401
Total investments in funds	**387,258**	388,262
Seed portfolio investments - securities by domicile of primary stock exchange		
United States	**7,721**	6,320
Europe and United Kingdom	**1,023**	1,243
Asia	**365**	476
Australia	**46**	119
Total seed portfolio investments	**9,155**	8,158
Total non-current financial assets	**396,413**	396,420

1 Comprises term deposits held with a major Australian bank pledged against bank guarantees in respect of the Group's future lease obligations. In the event the Group does not meet its lease payments, the bank has the right to apply the deposits in settlement of the amount paid by the bank under the guarantees.

2 At 31 December 2020, MFG held the following investments: Magellan Global Fund Open Class 1.6% and Closed Class 0.4%, Magellan Global Fund (Hedged) 0.6% (June 2020: 0.1%), Magellan Global Equities Fund (Currency Hedged) 7.1% (June 2020: 9.9%), Magellan Infrastructure Fund (Currency Hedged) 1.6% (June 2020: 1.9%), Magellan High Conviction Fund 6.1% (June 2020: 8.6%), Magellan High Conviction Trust 2.1% (June 2020: 0.6%), Magellan Wholesale Plus Global Fund 1.0% (June 2020: 1.0%), Magellan Wholesale Plus Infrastructure Fund 5.0% (June 2020: 7.3%), Frontier MFG Core Infrastructure Fund 1.1% (June 2020: 1.2%), Frontier MFG Global Plus Fund 2.5% (June 2020: 2.6%), Frontier MFG Global Sustainable Fund 99.1% (June 2020: 99.0%) and MFG Global Sustainable Fund 5.0% (June 2020: 100.0%).

3 On 8 December 2020, units in Magellan Global Equities Fund and Magellan Global Trust were acquired by Magellan Global Fund as part of a restructure (refer to note 11 for further details). At 31 December 2020, MFG held 4,626,063 Closed Class units in Magellan Global Fund (0.4%) and 89,486,701 Open Class units in Magellan Global Fund (1.6%).

4 MFG sold 6,154,929 units for $12,499,000 during the half year.

5 MFG purchased 9,431,736 units for $14,045,000 during the half year.

6 MFG seeded the fund on 15 July 2020 with a $3,000,000 investment and made a further investment of $7,000,000 on 9 December 2020. At 31 December 2020, MFG held 91.2% of the fund (June 2020: nil).

7 MFG seeded the fund on 9 December 2020 with a $10,000,000 investment. At 31 December 2020, MFG held 95.7% of the fund (June 2020: nil).

8 MFG seeded the fund on 9 December 2020 with a $5,000,000 investment. At 31 December 2020, MFG held 83.9% of the fund (June 2020: nil).

9 MFG received a return of capital of $22,254,000 (US$16,778,000) following the fund liquidation on 15 December 2020.

10 On 8 December 2020, MFG's units in Magellan Global Equities Fund ("MGE") and Magellan Global Trust ("MGG") were acquired by Magellan Global Fund as part of the restructure (refer to note 11 for further details). At 31 December 2020, MFG's investment in MGE was nil (June 2020: 5.0%) and in MGG was nil (June 2020: 0.3%).

Notes to the Financial Statements

For the half year ended 31 December 2020

Reconciliation

The movement in the carrying value of the Group's financial assets is as follows:

	31 Dec 2020 $'000	30 Jun 2020 $'000
Current		
Opening balance at 1 July	**2,017**	2,009
Cash placed on term deposit	**734**	2,379
Matured term deposits	**(1,101)**	(2,371)
Closing balance	**1,650**	2,017
Non-current		
Opening balance at 1 July	**396,420**	339,084
Acquisitions	**44,411**	52,437
Disposals	**(36,433)**	(5,344)
Net change in fair value		
Realised	**5,071**	388
Unrealised	**(7,982)**	7,062
Net change in fair value recorded as dividend and distribution income	**(5,074)**	2,793
Closing balance	**396,413**	396,420

Fair Value Disclosures

The investments in funds and seed portfolios held in the Principal Investment portfolio are measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies those investments into the following three levels:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these investments is based on the closing price for the security as quoted on the relevant exchange.
- Level 2: valuation techniques using market observable inputs either directly or indirectly. The Group invests in unlisted funds which in turn invest in liquid securities quoted on major stock exchanges. The fair value is estimated using the redemption price provided by the unlisted fund.
- Level 3: valuation techniques using unobservable inputs where the Group invests in unlisted funds which invest in unlisted entities.

The table below presents the fair value hierarchy levels of the Group's financial assets:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2020				
Investments in funds[1]	306,405	80,853	-	**387,258**
Seed portfolio investments	9,155	-	-	**9,155**
Total financial assets measured at fair value	**315,560**	**80,853**	**-**	**396,413**
30 June 2020				
Investments in funds[1]	129,973	258,289	-	388,262
Seed portfolio investments	8,158	-	-	8,158
Total financial assets measured at fair value	**138,131**	**258,289**	-	**396,420**

[1] Fair value of investments in unlisted funds is determined with reference to the fund's redemption unit price at reporting date and is categorised in level 2 as inputs into the redemption unit price that are directly observable from published price quotations.

The fair values of all other financial assets and liabilities approximate their carrying values in the Consolidated Statement of Financial Position.

During the half year ended 31 December 2020, the investment in Magellan Global Fund was transferred from level 2 to level 1 as the investment was quoted on the ASX following the completion of a restructure (refer note 11) in December 2020. There were no other transfers between any fair value hierarchy levels during the half year ended 31 December 2020 or 2019. The Group's policy is to recognise transfers into and out of hierarchy levels as at the end of the reporting period.

8. Equity Accounted Investments

The Group's equity accounted investments comprise interests in associates. Associates are entities which the Group has significant influence, but not control, over the key financial and operating policies. Investments in associates are accounted for using the equity method.

Under the equity method, investments are initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the associate's profit or loss and other comprehensive income. The Group's share of the associate's profit or loss and other comprehensive income is included in the Group's profit or loss. Dividends received from an associate are accounted for as a reduction to the carrying value of the investment.

At each reporting date, the Group determines whether there is objective evidence that an investment in associate is impaired. If there is such evidence, an impairment loss, measured by comparing the recoverable amount of the investment with its carrying value, is recognised in the profit or loss.

The Group's investments in associates are:

		Ownership interest		Investment carrying value	
	Principal place of business	2020 %	2019 %	31 Dec 2020 $'000	30 Jun 2020 $'000
Barrenjoey Group Holdings Pty Ltd ("Barrenjoey")[1]	Australia	40	-	**150,133**	-
FinClear Holdings Ltd ("FinClear")[2]	Australia	17	-	**19,984**	-
Closing balance				**170,117**	-
Reconciliation of carrying value of investments in associates:					
Interest in the net assets of associates				**71,233**	-
Goodwill and transaction costs				**98,884**	-
Closing balance				**170,117**	-

1 Barrenjoey is a newly-launched financial services firm providing corporate and strategic advisory, capital market underwriting, research, prime brokerage and fixed income services to Australian and international clients. On 21 September 2020, Magellan Capital Partners Pty Limited ("MCP"), a wholly-owned subsidiary of MFG, acquired preference shares in Barrenjoey for a total cost of $156,033,000 consisting of cash consideration of $90,000,000 and 1,200,813 MFG shares. MCP obtained a 40% ownership interest with a 4.99% voting interest.

2 FinClear is a provider of technology, trading infrastructure and exchange market-access services to wealth, stockbroking, platform and fintech customers. On 28 October 2020, MCP acquired ordinary shares in FinClear for cash consideration of $20,000,000. MCP's voting interest is equal to its ownership interest of 17% (16% on a fully diluted basis). In addition, MCP also entered into a Relationship Agreement with FinClear to explore initiatives to improve access and reduce friction from the investment process for customers.

At 31 December 2020, Barrenjoey held 900,813 MFG shares, classified in its financial statements as financial assets for which fair value changes are recorded in its profit or loss. The Group has not adjusted the carrying value of its investment in Barrenjoey to exclude MFG's interest in the MFG shares held by Barrenjoey.

Transactions with Associates

The Group has entered into a facility agreement to provide Barrenjoey with up to $50,000,000 of unsecured working capital finance. The facility was not drawn down during the half year ended 31 December 2020.

Key judgement

Through its representation on each of the Barrenjoey and FinClear boards, the Group participates in all significant strategic and financial decisions. The Group has therefore determined that it has significant influence despite holding less than 20% of the voting rights of these entities.

Notes to the Financial Statements

For the half year ended 31 December 2020

9. Contributed Equity

	31 Dec 2020 $'000	30 Jun 2020 $'000
Ordinary Shares	**603,057**	525,271
Total contributed equity	**603,057**	525,271

	6 months to 31 Dec 2020 Number of shares '000	12 months to 30 Jun 2020 Number of shares '000	6 months to 31 Dec 2020 $'000	12 months to 30 Jun 2020 $'000
Opening balance	**182,280**	177,087	**525,271**	243,150
Shares issued for acquisition of Barrenjoey[1]	**1,201**	-	**66,033**	-
Shares issued under SPA[2]	**207**	211	**11,712**	10,533
Shares issued under institutional placement[3]	**-**	4,982	**-**	275,000
Expense for loans under SPA	**-**	-	**111**	311
Transaction costs of share issues and placement, net of tax	**-**	-	**(70)**	(3,723)
Closing balance	**183,688**	182,280	**603,057**	525,271

1 On 21 September 2020, 1,200,813 MFG ordinary shares were issued at a price of $54.99 for the acquisition of Barrenjoey (refer note 8 for further details).
2 Of the total ordinary shares on issue, 1,093,737 ordinary shares are held by employees and Non-Executive Directors under the SPP (June 2020: 950,469).
3 On 14 August 2019, 4,981,885 ordinary shares were issued at a price of $55.20 upon completion of the institutional share placement.

Terms and Conditions

Ordinary shares are fully paid and entitle the holder to receive dividends declared and proceeds on winding up of the Company in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

10. Contingent Liabilities and Contingent Assets

In accordance with the terms of the deeds entered into with MGF and MHH, MFG will pay MGF and MHH an amount equal to the dilutive effect of any DRP discount. As a result, MFG has a contingent liability where MGF or MHH offer a discount to the Net Trust Value per unit on units issued under the DRP in future periods. With regards to MGF, this only applies to the closed class units. The quantum of the contingent liability is determined at each distribution date of MGF and MHH and the amount is currently equal to a 7.5% and 5% discount respectively to the Net Asset Value ("NAV") per unit of the relevant fund multiplied by the number of units participating in the DRP for that fund. It is not practical to estimate the future cost to the Group as there is uncertainty as to the level of participation in the DRP, the respective NAV per unit and whether the DRP will be offered. For the half year ended 31 December 2020, $524,000 was paid or payable by the Group to Magellan funds in respect of DRP discounts (December 2019: $506,000).

Other than the above, the Group has no material contingent assets or contingent liabilities as at 31 December 2020 (June 2020: nil).

Notes to the Financial Statements

For the half year ended 31 December 2020

11. Subsequent Events

Other than the items below and the dividend disclosed in respect of the six months ended 31 December 2020 (refer to note 4), the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Global Equities Restructure

During the period, MAM completed the restructure of three global equities retail funds – Magellan Global Fund, Magellan Global Equities Fund and Magellan Global Trust – into a single trust, being the Magellan Global Fund ("MGF"). The restructured MGF now has two unit classes on issue – the Open Class Units and the Closed Class Units – with total funds under management of $15.6 billion as at 31 December 2020.

In January 2021, MAM launched the Magellan Global Fund Partnership Offer ("Partnership Offer"), allowing eligible MGF unitholders to subscribe for $1 of Closed Class Units for every $4 of MGF Units held.

Investors who take up their entitlement under the Partnership Offer will also receive benefits in the form of:

- additional Closed Class Units worth 7.5% of their subscription; and
- one MGF option ("MGF Option") for each Closed Class Unit allotted under the Partnership Offer. Each MGF Option will be exercisable into one Closed Class Unit with the exercise price set at a 7.5% discount to the Estimated NAV per Closed Class Unit at the time of exercise. The MGF Options are intended to be quoted on the ASX and have a three-year term. MGF Options will be able to be exercised by holders daily from 1 June 2021 to 1 March 2024.

The Partnership Offer opened on 18 January 2021 and closes on 23 February 2021 with allotment of Closed Class Units and MGF Options expected on 1 March 2021.

In addition to the Partnership Offer, MAM will also issue eligible Closed Class Unitholders in the Magellan Global Fund with bonus MGF Options on a one-for-two basis ("Bonus MGF Option Issue"). These bonus MGF Options will have the same terms as the MGF Options issued under the Partnership Offer.

The 7.5% discount associated with the additional Closed Class Units and the MGF Options for both the Partnership Offer and the Bonus MGF Option Issue will be funded by the Group and not by MGF or its unitholders. Accounting standards are conservative with regard to the MGF Options and dictate that a liability be recognised in the financial statements by assuming that all MGF Options are exercised over the three-year option term and calculating the related 7.5% discount amount, and then fully expensing this amount upfront.

As a result, for accounting purposes the Group will recognise a material expense in relation to the Partnership Offer and the Bonus MGF Option Issue in the 2021 financial year. Over time, the liability will move in line with changes to the Closed Class Unit price and when MGF Options are ultimately exercised. Any increase in the liability will be recorded as an additional expense in our profit or loss, and a decrease in the liability will result in a gain.

Due to the significant inherent uncertainties of estimating the likely take-up of entitlements under the Partnership Offer, the Directors are unable to quantify with any meaningful reliability the expense that will be recognised by the Group in relation to the Partnership Offer until it is completed on 23 February 2021. For indicative purposes, for every $100m of entitlements taken up under the Partnership Offer, the Group will recognise an after-tax cost of $10.9m which assumes 100% of the MGF Options in respect of the Partnership Offer are exercised and a Closed Class NAV price per unit on 9 February 2021 of $1.81.

Also, for indicative purposes, with respect to the Bonus MGF Options Issued for Closed Class Units as at 9 February 2021, the Group will incur an after-tax cost of $59m assuming all MGF Options in respect of this bonus issue are exercised at the above NAV price per unit.

Notes to the Financial Statements

For the half year ended 31 December 2020

Investment in Guzman y Gomez

On 29 January 2021, MFG acquired a 12% shareholding (11% on a fully diluted basis) in Guzman y Gomez (Holdings) Limited ("GYG"), an Australian based quick service restaurant chain, for cash consideration of $95,400,000. The investment in GYG forms part of Magellan's Principal Investments.

Funds Under Management

On 5 February 2021, the Group reported to the ASX that its funds under management was $100.4 billion as at 31 January 2021.

Directors' Declaration

For the half year ended 31 December 2020

In the Directors' opinion,

a. the financial statements and notes set out on pages 21 to 37 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and
   ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving declarations from the Chief Executive Officer and Chief Financial Officer which mirror section 295A of the *Corporations Act 2001* and are recommended by the ASX Corporate Governance Principles and Recommendations.

This declaration is made in accordance with a resolution of the Directors.

Hamish M Douglass
Chairman

Sydney
11 February 2021

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Building a better working world

Independent auditor's review report to the members of Magellan Financial Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Magellan Financial Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Ernst & Young

Clare Sporle
Partner
Sydney
11 February 2021

Corporate Information

For the half year ended 31 December 2020

Directors

Hamish Douglass – Chairman and CIO
Brett Cairns – CEO
John Eales
Robert Fraser – Chairman of MAM
Colette Garnsey
Paul Lewis
Hamish McLennan – Deputy Chairman
Karen Phin

Company Secretary

Marcia Venegas

Registered Office

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Sydney NSW 2000

Share Registrar

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Securities Exchange Listing

Australian Securities Exchange
ASX code (ordinary shares): MFG

Website

www.magellangroup.com.au

Corporate Governance Statement

The Corporate Governance Statement for MFG can be found at the Shareholder Centre at www.magellangroup.com.au