

Magellan High Conviction Trust

ARSN 634 789 754

ASX code: MHH

Frequently Asked Questions

1 What is the Magellan High Conviction Trust (“MHH”)?

MHH is a unit trust that has been registered as a managed investment scheme under the Corporations Act 2001. Magellan Asset Management Limited (“Magellan”) is the responsible entity of MHH, will apply for MHH to be listed on the ASX as a listed investment trust.

MHH is a closed ended vehicle and therefore investors cannot apply and redeem their units in the fund but rather they enter and exit by buying and selling units on ASX.

2 What is the investment strategy of MHH?

MHH will invest in 8 to 12 companies, weighted towards Magellan’s highest conviction ideas.

The investment strategy of MHH is the same that Magellan employs in the unlisted Magellan High Conviction Fund (“MHCF”) which was established on 1 July 2013. Class A units of MHCF have returned 16.6% per annum net of fees since inception on 1 July 2013 to 31 July 2019 (noting that past performance is not necessarily indicative of future performance).

3 Why is Magellan launching MHH?

Magellan is seeking to make its successful High Conviction strategy available to investors via an ASX-listed closed-ended vehicle and build a partnership with these investors over time.

4 How is MHH vehicle different to ETFs and LICs

In brief, LICs have a company structure and are closed-ended while ETFs have a trust structure and are open-ended.

MHH has a unit trust structure and is closed-ended

5 Will MHH pay distributions?

Magellan intends to target a cash distribution yield of 3% per annum based on the average of the month-end NAV per Unit over a two-year rolling period (“Target Cash Distribution”). Distributions will be paid semi-annually.

Magellan intends to announce a Target Cash Distribution per Unit on ASX at the beginning of each semi-annual period.

Magellan expects that the distribution policy will provide unitholders with greater certainty about the intended amount of upcoming distributions.

Under the AMIT rules, investors will be assessed for tax on the income of the Trust attributed to them. Where the income of the Trust exceeds the Target Cash Distribution, the AMIT rules and Constitution permit Magellan to reinvest part or all of the distribution and/or accumulate part or all of the Trust’s income in the Trust, in which case the income of the Trust that is attributed to you (and which must be included in your income tax return) will be more than the cash distribution paid.

6 When will the first distribution be paid?

It is intended the first cash distribution of 2.25 cents per unit will be paid in January 2020 and a further 2.25 cents per unit will be paid in July 2020.

7 Will there be a distribution reinvestment plan (“DRP”)?

Yes, in respect of each Target Cash Distribution, Magellan may offer a DRP at its discretion. Magellan intends to offer Unitholders who elect to participate in the DRP in respect of the Target Cash Distribution an issue price which is set at a 5% discount to the prevailing NAV per Unit. As an additional benefit to Unitholders and to ensure that Unitholders who elect not to participate in the DRP suffer no dilution as a result of the DRP discount, the Magellan Group will pay MHH an amount of consideration equal to the cost of this discount.

8 What disclosures will be provided on MHH?

Disclosure includes:

- Estimated NAV announced daily;
- An indicative NAV (“iNAV”) updated at regular intervals throughout the ASX trading day;
- Monthly fund factsheets; and
- Disclosure of portfolio stocks by name and weight annually.

9 What is MHH’s fee structure?

The fee structure of MHH is the same as the fee structure for the Class A units in the Magellan High Conviction Fund, being a 1.50% management fee and a performance fee of 10% of the outperformance against an absolute return hurdle of 10%.

10 What is the Offer?

Magellan is seeking to raise a minimum of \$250 million in the initial public offering of MHH which will comprise a Priority Offer, available to shareholders and investors in Magellan Financial Group, Magellan High Conviction Fund and Magellan Global Trust, a Wholesale Offer and a General Public Offer.

11 What is the Offer Price and how does this differ from the initial Net Asset Value ("NAV") of MHH?

The Offer Price is \$1.50 per Unit.

All offer costs will be paid for by the Magellan Group in cash. This means the pro forma NAV per Unit and investible cash of MHH will be equal to \$1.50 per Unit. This will ensure investors are generating returns on every dollar they have invested from the day of listing.

12 What is the Priority Offer?

The Priority Offer is an offer open to shareholders and unitholders in Magellan Financial Group Limited, Magellan High Conviction Fund and Magellan Global Trust (ASX:MGG) ("Eligible Vehicles") as at 12 August 2019 and who have a registered address in Australia and New Zealand. Priority Applicants are being invited to subscribe for up to 33,334 Units (approximately \$50,000) per holding in an Eligible Vehicle.

Priority Applicants are being offered a valuable loyalty reward as part of the Priority Offer in the form of additional units ("Loyalty Units"). Priority Applicants may be eligible to receive additional units of 7.5% of the number of Units allotted to them under the Priority Offer, subject to vesting and other conditions outlined in the PDS.

Importantly, the economic cost associated with Loyalty Units will be borne by the Magellan Group.

Please refer to Section 5 of the PDS for further information.

13 How can I participate in Priority Offer?

Priority Applicants who are invested directly in the Eligible Vehicles, will be contacted by Magellan by email or post once the Offer opens on the 21 August 2019 and will be issued with a Unique Priority Code which will enable them to participate in the Priority Offer. Priority Applicants can use their Unique Priority Code to access a copy of the PDS and apply online at www.magellanhighconvictiontrust.com.au or call the Unit Registry for a copy of the PDS and Application Form.

Priority Applicants who are invested with Magellan indirectly through an Investor Directed Portfolio Service ("IDPS"), IDPS-like scheme or a nominee or custody service (collectively, "Intermediaries") may participate in the Priority Offer through their Intermediary. If an investor's Intermediary elects not to participate in the Priority Offer, these investors are still eligible to participate in the Priority Offer and should contact the Unit Registry. Evidence to support eligibility may be required.

Any Applicant who has not been contacted either directly or by their Intermediary and believes that they are eligible for the Priority Offer can contact the Unit Registry to receive their Unique Priority Code. Evidence to support eligibility may be required.

14 When will Loyalty Units under the Priority Offer be issued to Priority Applicants?

Priority Applicants will receive Loyalty Units provided they are a unitholder (either directly as a registered Unitholder or indirectly through the Intermediary they were allotted Units under the Offer) at 5.00pm on 31 December 2019 ("Loyalty Unit Determination Date").

Priority Applicants who, on this date, hold at least the same number of Units allotted to them under the Priority Offer will receive 100% of their Loyalty Units.

Priority Applicants who, on this date, hold a lower number of Units than allotted to them under the Priority Offer will receive a number of Loyalty Units which is proportionally lower (rounded down to the nearest whole Unit) than the amount they may have received had they held at least the same number of Units allotted to them under the Priority Offer.

Priority Applicants who, on this date, do not hold any Units will not receive Loyalty Units.

Please refer to Section 5 of the PDS for detailed information about the issuance of Loyalty Units.

15 How can I participate in the General Public Offer?

Applicants under the General Public Offer can apply online at www.magellanhighconvictiontrust.com.au or call the Unit Registry for a copy of the PDS and Application Form.

Applicants under the General Public Offer may be eligible to receive valuable IPO Foundation Units of 2.5% of the number of Units allotted to them under the General Public Offer, subject to vesting conditions and other terms set out in the PDS.

The economic cost associated with IPO Foundation Units will be borne by the Magellan Group.

Please refer to Section 5 of the PDS for further information.

Applicants under the General Public Offer are not entitled to receive Loyalty Units in respect of an Application made under the General Public Offer.

16 Where will Loyalty Units under the Priority Offer and IPO Foundation Units under the General Public Offer be issued?

Loyalty Units issued under the Priority Offer and IPO Foundation Units issued under the General Public Offer will be issued to the same Securityholder Reference Number ("SRN"), Holder Identification Number ("HIN") or Intermediary to which Applicants were allotted Units under the Offer.

If Applicants were allotted Units under the Offer on a HIN or SRN, their holdings on the Loyalty Unit and IPO Foundation Unit Determination Date (31 December 2019) need to be held on the same HIN or SRN otherwise they will not receive Loyalty Units and/or IPO Foundation Units as the Unit Registry will not be able to confirm that they were allotted Units under the Offer.

If Applicants are allotted Units under the Offer through an Intermediary, their beneficially held Unit holdings on the Loyalty Unit and IPO Foundation Unit Determination Date (31 December 2019) will need to be held through the same Intermediary and they will need to hold their Units with this Intermediary until their Loyalty Units and/or IPO Foundation Units have been issued. If they do not hold their Units through the same Intermediary who beneficially held the allotted Units under the Offer, they will not receive Loyalty Units and/or IPO Foundation Units. Magellan is relying on the Intermediary to provide accurate representations on the Loyalty Unit and IPO Foundation Unit Determination Date.

17 Where can I find more information about the Offer?

More information about the Offer can be found on the website www.magellanhighconvictiontrust.com.au or by calling the Magellan High Conviction Trust Offer Information Line on 1800 222 722 (within Australia) or +61 2 9290 9699 (outside Australia) between 8:30am and 5:00pm (Sydney time) Monday to Friday.

Applicants who are uncertain as to whether an investment in MHH is suitable for them are being directed to contact their stockbroker, financial adviser, accountant, lawyer or other professional adviser.

18 What are the risks around this product?

Please refer to the PDS regarding specific risks.

19 Is MHH rated by any research houses?

Magellan expects research reports to be published on the Offer open date, expected to be 21 August 2019.

20 Is there a bulk application process for stockbrokers and financial advisers?

Yes, any stockbroker or financial adviser can contact the Unit Registry to facilitate the processing of multiple applications under the Priority Offer and General Public Offer.

Important Information: Units in the Magellan High Conviction Trust (Trust) are issued by Magellan Asset Management Limited (ABN 31 120 593 946, AFS Licence No 304 301). This material does not constitute an offer to sell, or the solicitation of an offer to buy, any financial products. This material has been provided for general information purposes and must not be construed as investment advice. This material has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person. Investors should consider obtaining professional investment advice tailored to their specific circumstances and should read the relevant Product Disclosure Statement (PDS) prior to making any investment decisions. The PDS is available via www.magellanhighconvictiontrust.com.au or can be obtained by calling the Magellan High Conviction Trust Offer Information Line on 1800 222 722 (within Australia) or +61 2 9290 9699 (outside Australia) between 8:30am and 5:00pm (Sydney time) Monday to Friday