

Magellan FuturePay™ (Managed Fund)

A growing monthly income, now and into the future

ARSN: 649 688 693

Ticker: FPAY

Fund Facts

Portfolio Manager	Paddy McCrudden	
Inception Date	2 June 2021	
Management Fee ¹	1.00% p.a. of FuturePay's Portfolio Value	
Performance Fee	There is no performance fee	
Entry price	NAV per Unit plus 0.10% (buy spread)	
Exit price	NAV per Unit less Mutualisation Amount, less 0.10% (sell spread)	
FuturePay Size	AUD \$17.8 million	
FuturePay Nav per Unit	AUD \$5.4652 [†] per unit	
Hedge Ratio	43.48%	
Distribution Frequency	Monthly	
Target Monthly Income	<ul style="list-style-type: none"> AUD 2.133 cents per unit, growing at inflation quarterly Income yield of 4.68%[^] 	
Tickers	Solactive iNav	ICE iNav
Bloomberg (FPAY.AU Equity)	FPAYAUIV Index	FPAYIV Index
Refinitiv (FPAY.CHA)	FPAYAUDINAV=SOLA	FPAYAUiv.P
IRESS (FPAY.CXA)	FPAYAUDINAV	FPAY-AUINAV
APIR	MGE9989AU	
Support Trust Size	AUD \$2.5 million	
Support Trust Distribution Coverage ²	33 months	
Asset Composition of Support Trust	Cash (AUD)/Cash equivalent	
Reserve Ratio	14.73%	
Index Relative Ratio	0.8767	
Mutualisation Amount per Unit	AUD \$0.4102	
MFG Capital Commitment / Paid	AUD \$50.0 million / AUD \$1.4 million	

¹ All fees are inclusive of the net effect of GST. No fees are payable to Magellan in respect of its management of the Support Trust's assets.

[†] NAV is cum distribution and therefore includes the distribution amount of AUD 2.133 cents per unit.

² The number of months over which the Support Trust could fund 100% of the Target Monthly Income of FuturePay calculated as (Support Trust NAV) / (Units on Issue x Target Monthly Income)

[^] Target Monthly Income x 12 / NAV price at end of month. There is no guarantee that the target monthly income will be achieved.

For the most up to date/live figures please refer to our website at www.magellanfuturepay.com.au.

Why Invest in FuturePay?

FuturePay is an innovative new fund which aims to deliver investors, particularly retirees, with:

- ✓ A predictable monthly income that grows with inflation
- ✓ Capital growth with a focus on downside protection
- ✓ A reserving strategy and income support
- ✓ Daily access to your capital.

For more detailed information visit:

www.magellanfuturepay.com.au

Fund Features

- A listed, actively managed fund focused on downside protection.
- Invests in a carefully selected portfolio of high-quality global companies. Current allocation 55% Global equities and 45% Global Infrastructure.
- Alongside FuturePay sits the Support Trust, which together with FuturePay aims to provide capital reserving and an income support function during poor market conditions. This is further supplemented by a Magellan Reserve Facility.
- Investors have the potential to benefit from the capital reserves accumulated in the Support Trust by past and existing members, pooling reserves with other members can be more effective.
- FuturePay is available on the CBOE securities exchange (ticker: FPAY) and can be bought and sold like any listed security. Investments can also be made directly with the fund itself.
- Reserve contributions are paid to Support Trust from the assets of FuturePay and reflect a cost of investing, however, investors are expected to benefit from these in the future in the form of income support received during poor market conditions

This combination of FuturePay's investment strategy, coupled with the Support Trust and a Magellan Reserve Facility to provide reserving and income support to help manage volatility, all in a single product, is what makes FuturePay unique.

"Reserving is the unique feature of FuturePay. Once we understood the power and the benefits of reserving, we set about trying to think of what the best reserving strategy was."

PADDY MCCRUDDEN, HEAD OF RETIREMENT SOLUTIONS

Fund Performance

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	Since Inception (p.a.) [#] (%)
Investor Distribution	0.4	1.0	2.0	4.1	4.2
Capital Growth ³	-3.9	-5.3	-10.0	-6.3	-4.7
FuturePay Total Return ⁴	-3.5	-4.3	-8.0	-2.2	-0.6
Investor Return ⁵ (after mutualisation amount)	-10.8	-11.5	-14.9	-9.5	-7.5

[#] The inception date is 02 June 2021 (inclusive).

³ Growth in the FuturePay NAV per Unit excluding distributions.

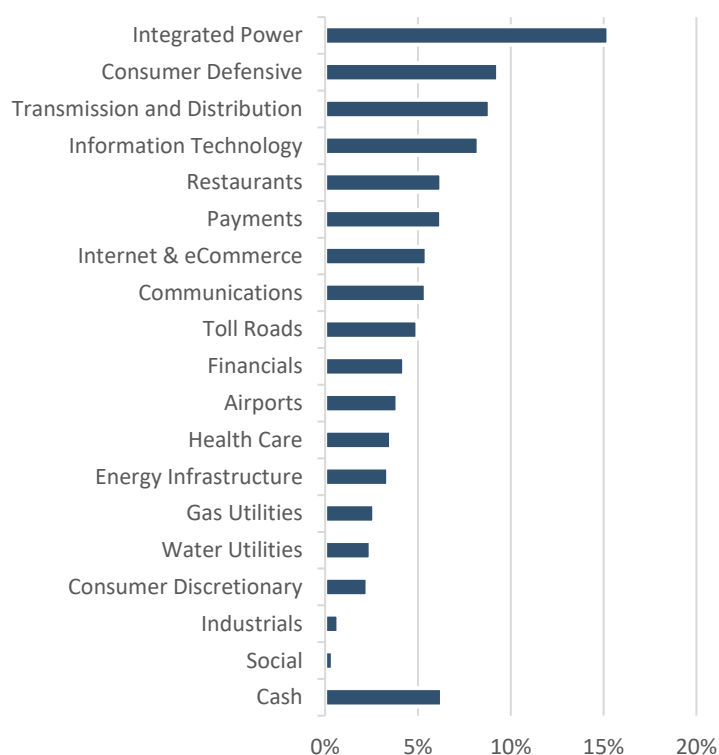
⁴ FuturePay Total Returns are based on NAV prices with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees, entry fees (if applicable) and the Mutualisation Amount.

⁵ This Investor Return shows the impact of withdrawing Units directly with the Fund, where the exit price received will be the NAV per Unit less the Mutualisation Amount and an allowance for transaction costs. This Investor Return calculation is based on exit prices with distributions reinvested, but on the basis that the Mutualisation Amount is only applied on the last day of the period, after ongoing fees but excluding individual tax, member fees and entry fees (if applicable). Please note that investors also have the ability to sell units on the CBOE securities exchange, which may result in different Investor Returns to the Investor Returns when Units are withdrawn directly with the Fund.

Top 10 Holdings

Company	Sector ⁶	%
Microsoft Corporation	Information Technology	4.4
Alphabet Inc	Internet & eCommerce	3.6
Visa Inc	Payments	3.1
Crown Castle International	Communications	2.8
Pepsico Inc	Consumer Defensive	2.7
MasterCard Inc	Payments	2.6
Intercontinental Exchange Inc	Financials	2.2
Nestle SA	Consumer Defensive	2.1
Yum! Brands Inc	Restaurants	2.1
Novartis AG	Health Care	2.1
TOTAL:		27.7

Sector Exposure⁶



⁶ Sectors are Magellan defined. Exposures may not add to 100% due to rounding.

FuturePay Glossary

Term	Definition
Active ETF	Magellan's Active ETFs are actively managed investment funds that are quoted on a securities exchange and can be bought and sold just like any listed stock. These funds provide investors with easy access to the benefits of investing in global equities and the investment experience and expertise of Magellan.
Index Relative Ratio	A measure of whether FuturePay has outperformed the Inflation Target – referred to as the 'Index Unit Price' in the Product Disclosure Statement. Calculated as FuturePay's Portfolio Value per Unit relative to the Index Unit Price.
Inflation Target	<p>One of the key benefits that FuturePay aims to deliver is to grow investors' capital at or above the rate of inflation, even after delivering the target monthly income payments.</p> <p>FuturePay's Inflation Target – referred to as the 'Index Unit Price' in the Product Disclosure Statement – is the initial issue price of Units adjusted for inflation using the Inflation Index published for the most recent quarterly period (applied in arrears).</p> <p>If the value of FuturePay's investment portfolio is above the Inflation Target – this means that FuturePay has both delivered the target monthly income and the value of its investment portfolio has grown at or above the rate of inflation.</p>
MFG Reserve Facility	<p>If the assets in the Support Trust are low, FuturePay can borrow additional funds from Magellan Financial Group to support FuturePay in paying the target monthly income to investors.</p> <p>This is only repayable when the Support Trust reserves have been recovered and FuturePay outperforms its inflation objective.</p>
Mutualisation Amount	<p>The amount you leave behind if you redeem your investment in FuturePay off-market with Magellan via the unit registry. The Mutualisation Amount is retained by FuturePay for the benefit of remaining investors.</p> <p>The Mutualisation Amount is equal to the value of the Support Trust Rights, subject to a cap. The Mutualisation Amount is capped at an amount equal to 7.5% of the estimated NAV per Unit of FuturePay – so when the value of the Support Trust Rights exceeds that cap, these amounts will differ.</p> <p>When an investor redeems their investment in FuturePay off-market with Magellan via the unit registry, the exit price they receive will be the NAV per Unit less the Mutualisation Amount and an allowance for transaction costs.</p>
Portfolio Value	A measure of the size of the assets of FuturePay or the Support Trust (as the case may be).
Reserve Ratio	Reserve Ratio is a measure of the relative size of the assets of the Support Trust to the assets of FuturePay . It is calculated by dividing the Portfolio Value of the Support Trust by the Portfolio Value of FuturePay .
Responsible Entity	Magellan Asset Management Limited is the responsible entity of FuturePay .
Support Trust	<p>The Support Trust is a separate pool of assets managed for the benefit of FuturePay investors. It is structured as a discretionary trust.</p> <p>The Support Trust's objective is to assist FuturePay in delivering a predictable monthly income to investors over the long term. There is no guarantee that the Support Trust will provide income support.</p>

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Market Commentary

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

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

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

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

Portfolio Commentary

The fund is underpinned by two underlying strategies. The Global Plus strategy recorded a negative return for the quarter while the Core infrastructure strategy posted a positive return.

With the Global Plus strategy, the biggest detractors were the investments in Netflix, Meta Platforms and Starbucks. Netflix fell after the streaming service said it expected subscriber growth to slow and profit margins to narrow. Meta fell after the owner of Facebook offered only a weak revenue forecast due to Apple privacy restrictions inhibiting the reach and effectiveness of its advertising and its Facebook site suffered its first drop in regular users due to the popularity among the young of TikTok. Starbucks slid on reduced guidance.

For the Core infrastructure strategy, the stocks that contributed the most included the investments in TC Energy Corp and Enbridge of Canada and Sempra Energy of the US. TC Energy was among the energy infrastructure companies that benefited from improving market sentiment as oil and gas prices rose, even though their earnings exhibit little sensitivity to movements in commodity prices. Enbridge, the owner and operator of the world's largest crude oil and liquids transportation system across Canada and the US, gained on a healthy full-year earnings report (gross profit of C\$7.7 billion in 2021 versus C\$4.2 billion in 2020) and as the oil price rose, despite having very limited direct exposure to the oil price. Sempra Energy rose after investors assessed that one fall-out of the Russia-Ukraine war is faster growth for the energy infrastructure's North American LNG export business.

Reserve Strategy

The monthly distribution for the end of December 2021 was 2.061 cents per unit. On January 25, the Australian Bureau of Statistics said the consumer price index rose by 1.3% in the December quarter. As such, at the end of February 2022, the FuturePay distribution was increased in line with inflation to 2.089 cents per unit.

The FuturePay support trust started the quarter with capital of \$2.5 million. This represented more than 34 months of distributions. In January, the portfolio value per fell slightly below the inflation-adjusted index, so that the Support Trust contributed about 6.5% of the distribution to investors. In February, the difficult markets resulted in the portfolio value falling to about 6% below the inflation-adjusted index, and the Support Trust provided over 22% of the distribution to investors. Finally, the portfolio rallied slightly in March but still ended the month below the index so that the Support Trust provided more than 19% of the distribution to investors. These support payments over the quarter reduce the need to sell securities in falling markets to fund distributions.

Over the quarter, there were about \$0.27 million of client inflows to the fund. Consequently, \$21,000 of adequacy contributions were made into the support trust, representing about 7.5% of the inflow. Magellan made a further contribution of \$13,000 to the support trust, representing 3.7% of the inflow.

The support trust finished the quarter with capital of \$2.57 million, which represents a reserve ratio of 13.8%. The reserve strategy functioned as expected over the quarter.