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10 March 2022

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**Magellan FuturePay™ (Managed Fund) (Ticker: FPAY)  
Interim Report and ASIC Relief from Half Year Reporting Requirements for First  
Financial Half-Year**

Magellan Asset Management Limited ("MAM"), as Responsible Entity for Magellan FuturePay (Managed Fund) ("Fund"), hereby lodges the Fund's Interim Report for the period 7 May 2021 to 31 December 2021.

The Interim Report has been prepared as if the Fund's first half-year is for the period 7 May 2021 to 31 December 2021 pursuant to the relief granted by the Australian Securities and Investments Commission in ASIC Instrument 21-0834. The ASIC Instrument permits MAM to report a half year period for the Fund that is longer than 6 months.

*Authorised by*

Mariana Kolaroski | Company Secretary

**Magellan Asset Management Limited  
as responsible entity for  
Magellan FuturePay**

**About Magellan FuturePay (Ticker: FPAY)**

Magellan FuturePay is an actively managed fund which aims to deliver investors: a predictable monthly income that grows with inflation, driven by returns and capital growth, with a focus on downside protection. This is underpinned by a reserving strategy and on-going income support, together with daily access to capital.



# Magellan FuturePay

## Interim Report

For the period ended 31 December 2021

ABN 75 400 983 889

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# Chairman's Report

for the period ended 31 December 2021

Dear Unitholders,

We are pleased to present the Interim Financial Report for Magellan FuturePay (Managed Fund) (the "Fund") for the period 7 May 2021 to 31 December 2021. The Fund is a managed investment scheme for which Magellan Asset Management Limited ("MAM") acts as both Responsible Entity and Investment Manager.

The Fund has been quoted on the Cboe securities exchange (formerly Chi-X) (ticker code: FPAY) since 2 June 2021. As at 31 December 2021, the Fund had net assets of \$20 million and a net asset value of \$5.5863 per unit after deducting a distribution of 2.061 cents per unit. For the period from 2 June 2021 to 31 December 2021, the Fund returned 8.0% net of fees.

The Fund paid a cash distribution of 14.332 cents per unit in respect of the period to 31 December 2021. As at 31 December 2021, the Fund's Target Monthly Income was 2.061 cents per unit, representing an income yield of 4.08% per annum. This is consistent with MAM's stated intention to provide investors with predictable, monthly distributions that grow with inflation, while reducing the risk of permanent capital loss.

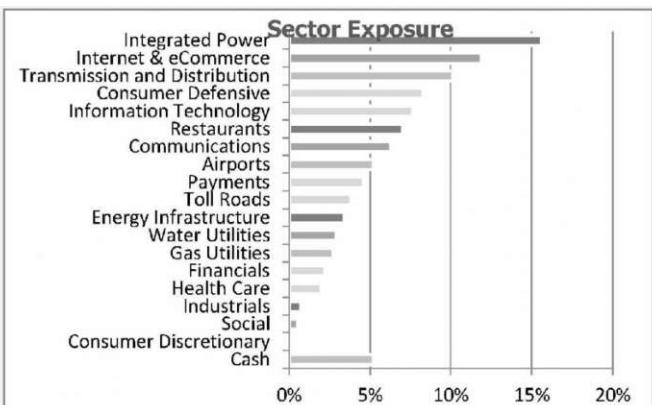
The Fund's portfolio is actively managed by MAM and aims to deliver investors a predictable monthly income that grows with inflation, driven by returns and capital growth, with a focus on downside protection. To achieve this, the Fund invests in a portfolio of high-quality, low volatility companies listed on securities exchanges around the world, and has the ability to manage equity market risk by holding up to 20% of its net assets in cash.

Alongside the Fund sits the Support Trust, through which the Fund implements a capital reserving strategy so that investors may benefit from potential income support during periods of poor market conditions. As at 31 December 2021, the Fund had Support Trust Coverage of 34 months, meaning the Support Trust could fund 100% of the Target Monthly Income distributions for 34 months.

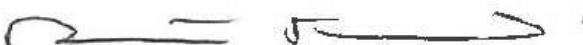
We would encourage you to read our monthly and quarterly reports which provide valuable insight into our investment strategies and portfolio managers' thoughts. These are released on Cboe and can also be found on our website: [www.magellanfuturepay.com.au](http://www.magellanfuturepay.com.au).

As at 31 December 2021, the Fund portfolio consisted of investments in 107 companies, with the top 10 investments (listed below) representing 29.1% of the portfolio. The Fund's cash position was 5.2% which was predominantly held in US Dollars. The Fund's industry exposure by source of revenues is highlighted below.

Top 10 holdings (as at 31 December 2021)	% of Fund
Microsoft	4.8
Alphabet - class C shares	3.5
Crown Castle International	3.0
Netflix	3.0
Starbucks	2.7
Yum! Brands	2.6
Visa	2.5
Pepsico	2.5
Xcel Energy	2.3
Intercontinental Exchange	2.2
<b>Top 10 Total</b>	<b>29.1</b>



The following report contains relevant financial statements and information which we encourage you to read carefully.



**Robert Fraser**  
Chairman  
Sydney, 10 March 2022

# Responsible Entity's Report

for the period ended 31 December 2021

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Magellan FuturePay (the "Fund" or "FPAY"), present their first report on the Fund for the period 7 May 2021 to 31 December 2021.

## 1. Directors

The following persons were Directors of MAM during the period and up to the date of this report:

		Appointed	Resigned
Robert Fraser	Chairman	23 April 2014	
John Eales	Non-Executive Director	1 July 2017	
Colette Garnsey	Non-Executive Director	30 November 2020	
Hamish McLennan	Non-Executive Director	1 March 2016	
Kirsten Morton	Interim Chief Executive Officer/Chief Financial Officer <sup>1</sup>	5 October 2018	
Karen Phin	Non-Executive Director	23 April 2014	
Brett Cairns	Chief Executive Officer	22 January 2007	6 December 2021
Paul Lewis	Non-Executive Director	20 December 2006	30 September 2021

<sup>1</sup> Following Mr Cairns' resignation on 6 December 2021, Ms Morton was appointed Interim Chief Executive Officer.

## 2. Principal Activity

The Fund is a registered managed investment scheme domiciled in Australia and quoted on Cboe Australia Pty Ltd securities exchange ("Cboe") (ticker code: FPAY). The Fund was registered on 7 May 2021, and in accordance with the Fund's Constitution commenced on the day that the first unit was issued, which was 26 May 2021. The Fund commenced trading on Cboe on 2 June 2021. The Fund's principal place of business is Level 36, 25 Martin Place, Sydney, New South Wales 2000.

The primary objectives of the Fund are to provide investors with predictable, monthly distributions that grow with inflation, while reducing the risk of permanent capital loss (as detailed in the Product Disclosure Statement "PDS" issued 23 December 2021).

The Fund primarily invests in securities of companies listed on securities exchanges around the world. The Fund's portfolio will also have some exposure to cash. The Fund may, from time to time, hedge some or all foreign currency exposure back to Australian dollars. However, there is no guarantee that any or all of the Fund will be hedged at any point in time.

In furtherance of the Fund's investment objectives, the Responsible Entity intends to make contributions ("Reserve Contributions") from the Fund's assets to the FuturePay Support Trust ("Support Trust"), which is a separate pool of assets managed with the intention of supporting the Fund in making predictable, monthly distributions to investors. From time to time, Magellan FuturePay Pty Limited, the trustee of the Support Trust may make distributions from the Support Trust's assets to assist the Fund in meeting its target monthly distribution ("Support Payments"). Any amounts which have been reserved within the Support Trust cannot be redeemed when an investor leaves the Fund (for further information refer to note 5 and the PDS).

MAM, as Responsible Entity, is responsible for overseeing the operations of the Fund. In addition, the Responsible Entity, on behalf of the Fund, may also provide trading liquidity to investors on the securities exchange by acting as a buyer and seller of units in the Fund. The Responsible Entity has appointed an independent market participant to act as its agent to execute its market making activities. MAM, as Investment Manager of the Fund, is responsible for selecting and managing the Fund assets.

## 3. Significant Changes in State of Affairs

Commencing with the September 2021 distribution to unitholders, the Fund introduced a Distribution Reinvestment Plan ("DRP") which permitted unitholders to reinvest part or all of their monthly distribution.

There were no other significant changes in the state of affairs of the Fund during the period.

# Responsible Entity's Report

for the period ended 31 December 2021

## 4. Review of Financial Results and Operations

### 4.1. Financial Results for the Period

The performance of the Fund, as represented by the results of its operations for the period 7 May 2021 to 31 December 2021, was as follows:

	7 May 2021 to 31 Dec 2021 <sup>1</sup>
<b>Results</b>	
Total net investment income (\$)	<b>3,113,799</b>
Total expenses (\$)	<b>(2,700,369)</b>
<b>Profit/(Loss) (\$)</b>	<b>413,430</b>
<b>Distributions</b>	
Distribution paid and payable (\$)	<b>473,524</b>
Distribution paid and payable (CPU) <sup>2</sup>	<b>14.33</b>
<b>Unit Price (NAV per unit) (\$)<sup>3</sup></b>	<b>5.5863</b>
<b>Value of Support Trust Rights (per unit) (\$)<sup>4</sup></b>	<b>0.4600</b>
<b>Cboe Reported Unit Price (NAV per unit) (\$)<sup>5</sup></b>	<b>6.0669</b>

<sup>1</sup> The Fund commenced trading on 2 June 2021.

<sup>2</sup> Cents per Unit.

<sup>3</sup> The Net Asset Value ("NAV") per unit represents the net assets of the Fund presented in the Statement of Financial Position at 31 December divided by the number of units on issue at 31 December (refer to note 4 of the Financial Statements).

<sup>4</sup> Represents the value based on the Responsible Entity's assessment of the expected benefit to be provided by the Support Trust as at period end. In accordance with the Fund's PDS, this is included in calculating entry and exit prices of the Fund. The value of the Support Trust Rights will typically be less than the full value of the assets held by the Support Trust.

<sup>5</sup> The NAV per unit reported to Cboe differs to the NAV per unit at balance date due to the value of Support Trust Rights, distributions payable and fee accruals.

As set out in the Fund's PDS, the Australian Securities and Investment Commission ("ASIC") has granted the Fund relief under section 601QA(1)(b) of the *Corporations Act 2001*, to include a value for the Support Trust Rights within the transactional NAV per unit daily, this value can be found on the website [www.magellanfuturepay.com.au](http://www.magellanfuturepay.com.au). The value of the Support Trust Rights is determined daily based on the Responsible Entity's assessment of the expected benefit to be provided by the Support Trust and may be less than the net assets held by the Support Trust itself.

ASIC relief does not extend to the application of Australian Accounting Standards, under which these accounts are prepared. As the Support Trust Rights do not meet the asset recognition criteria set out within the Australian Accounting Standards, they are not reflected within the financial results for the period and the NAV per unit presented within the financial statements differs to the transactional NAV per unit reported daily on the website [www.magellanfuturepay.com.au](http://www.magellanfuturepay.com.au).

### 4.2. Total Indirect Cost Ratio

The Total Indirect Cost Ratio ("ICR") is the ratio of the Fund's actual management costs and net Reserve Contributions over the average portfolio value expressed as a percentage. Costs accrued within the Fund's unit prices on a daily basis include management fees and net Reserve Contributions but do not include transactional and operational costs such as brokerage or foreign withholding tax.

	6 Months to 31 Dec 2021	26 May 2021 to 31 Dec 2021
	%	%
Management fee	<b>0.51</b>	<b>0.61</b>
Net Reserve Contributions <sup>2</sup>	<b>0.68</b>	<b>0.89</b>
<b>Total Indirect Cost Ratio</b>	<b>1.19</b>	<b>1.50</b>

<sup>1</sup> The cost ratio was measured from the date the first unit was issued on 26 May 2021 to 31 December 2021.

<sup>2</sup> Reserve contributions to the Support Trust are estimated and accrued daily in the NAV per Unit. The calculation of Reserve Contributions is finalised and paid by the Fund into the Support Trust monthly. Reserve Contributions are made to the Support Trust and are not a fee paid to MAM. The cost of Reserve Contributions is shown net of any Support Payments that the Fund has received from the Support Trust and the change in the value recognised by the Fund in respect of the Support Trust Rights when it makes a Reserve Contribution or receives any Support Payments.

# Responsible Entity's Report

for the period ended 31 December 2021

## 4.3. Performance Returns

The performance returns have been calculated using the NAV per unit for the Fund, which is after fees and expenses, assuming the reinvestment of distributions. The returns are calculated daily, compounded to produce longer period returns.

	6 Months to 31 Dec 2021 %	2 Jun 2021 to 31 Dec 2021 %
Growth return <sup>2</sup>	4.1	5.4
Distribution return <sup>3</sup>	2.2	2.6
<b>Total Return<sup>4</sup></b>	<b>6.3</b>	<b>8.0</b>
<b>Investor Return<sup>5</sup></b>	<b>(1.7)</b>	<b>(0.1)</b>

<sup>1</sup> The Fund commenced trading on 2 June 2021.

<sup>2</sup> The Growth return is calculated daily as a percentage by dividing the NAV per unit (ex-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Growth returns are then compounded to produce longer period returns.

<sup>3</sup> The Distribution return is calculated as a percentage by subtracting the Growth return from the Total Return.

<sup>4</sup> The Total Return is calculated daily as a percentage by dividing the NAV per unit (cum-distribution) by the previous day's NAV per unit (ex-distribution) minus 1; the daily Total Returns are then compounded to produce longer period returns.

<sup>5</sup> The 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 (refer to note 4 of the Financial Statements) and an allowance for transaction costs. The 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 Cboe, which may result in different Investor Returns to the Investor Returns where units are withdrawn directly with the Fund.

## 5. Strategy and Future Outlook

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Therefore, investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

The Fund provides daily unit prices, monthly updates, quarterly portfolio disclosures and annual investor reports, which can be found in the 'Fund & Performance' section of the website, [www.magellanfuturepay.com.au](http://www.magellanfuturepay.com.au). Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

## 6. Interest in the Fund

The movement in units on issue in the Fund is disclosed in note 4 to the Financial Statements.

## 7. Likely Developments and Expected Results of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the PDS.

The method of operating the Fund is not expected to change in the foreseeable future. However, the results of the Fund's operations may be affected by a number of factors, including the performance of investment markets in which the Fund invests.

# Responsible Entity's Report

for the period ended 31 December 2021

## 8. Subsequent Events

On 7 February 2022, MAM announced that its Chief Investment Officer and Portfolio Manager, Mr Hamish Douglass, was taking a medical leave of absence to prioritise his health following a period of intense pressure and focus on both his professional and personal life. At that time, Mr Chris Mackay was appointed to oversee the portfolio management in conjunction with the Fund's co-portfolio managers, Ms Nikki Thomas and Mr Arvid Streimann, with the support of MAM's Investment team.

The infrastructure portfolio managed by Gerald Stack is unaffected by these changes.

NAV moves as a result of a number of factors, including movements in asset prices, exchange rates and unitholder subscriptions and redemptions. Subsequent to balance date, as at 4 March 2022, the Fund had a NAV per unit of \$5.6065 with a net asset value of \$20,203,538 including the value of Support Trust Rights, and 3,603,584 units on issue.

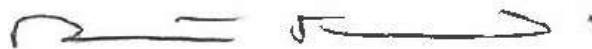
Since the end of the period, the Fund has made further Reserve Contributions of \$32,613, being the total of an Adequacy Contribution of \$19,609 and Magellan Financial Group ("MFG") Contribution of \$13,003. The Fund has also received \$18,388 in Support Payments from the Support Trust.

Other than the items disclosed throughout this Responsible Entity's Report there have been no matters or circumstances arising after the end of the period that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future financial periods. Asset prices move daily and intraday indicative NAV per unit and daily NAV per unit are available on the MFG website and also the Cboe website.

## 9. 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 8.

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



**Robert Fraser**

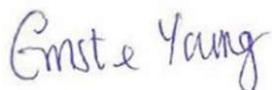
Chairman

Sydney, 10 March 2022

## **Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as Responsible Entity of Magellan FuturePay**

As lead auditor for the review of the interim financial report of Magellan FuturePay for the interim period ended 31 December 2021, 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;
- b. no contraventions of any applicable code of professional conduct in relation to the review; and
- c. no non-audit services provided that contravene any applicable code of professional conduct in relation to the review.



**Ernst & Young**



**Clare Sporle**

Partner

Sydney, 10 March 2022

# Statement of Profit or Loss and Comprehensive Income

for the period 7 May 2021 to 31 December 2021

	Note	7 May 2021 to 31 Dec 2021
		\$
<b>Investment Income</b>		
Dividend and distribution income		<b>235,821</b>
Contributions received under MFG commitment deed	5	1,412,658
Support Trust income	5	475
Other income		1,766
Net change in fair value of investments		1,459,609
Net gain/(loss) on foreign exchange settlements, derivative contracts and cash		3,470
<b>Total Net Investment Income</b>		<b>3,113,799</b>
 <b>Expenses</b>		
Management fees		106,434
Reserve contributions	5	2,561,609
Finance costs		230
Transaction costs		5,601
Withholding tax on dividends and distributions		26,495
<b>Total Expenses</b>		<b>2,700,369</b>
<b>Profit/(Loss)</b>		<b>413,430</b>
Other comprehensive income		-
<b>Total Comprehensive Income/(Loss)</b>		<b>413,430</b>
 <b>Basic Earnings Per Unit (Cents)</b>	6	<b>12.96</b>
<b>Diluted Earnings Per Unit (Cents)</b>	6	<b>12.96</b>

The Fund's first reporting period covers 7 May 2021 to 31 December 2021.

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

# Statement of Financial Position

as at 31 December 2021

	Note	31 Dec 2021 \$
<b>Assets</b>		
Cash and cash equivalents		1,160,015
Receivables		193,477
Investments	3	19,076,383
Derivative assets		6,619
<b>Total Assets</b>		<b>20,436,494</b>
<b>Liabilities</b>		
Distributions payable	2	73,879
Payables		239,359
Derivative liabilities		98,460
<b>Total Liabilities</b>		<b>411,698</b>
<b>Total Unitholders' Equity</b>		<b>20,024,796</b>

The Fund's first reporting period covers 7 May 2021 to 31 December 2021.

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

# Statement of Changes in Equity

for the period 7 May 2021 to 31 December 2021

	Note	7 May 2021 to 31 Dec 2021
		\$
<b>Unitholders' Equity at the beginning of the Period</b>		-
<b>Transactions with Unitholders in their Capacity as Owners:</b>		
Units issued		20,491,640
Units issued under distribution reinvestment plan (DRP)		9,313
Units redeemed		(416,063)
Distributions paid and payable	2	(473,524)
<b>Total Transactions with Unitholders</b>		<b>19,611,366</b>
Profit/(loss)		413,430
Other comprehensive income		-
<b>Total Comprehensive Income/(Loss)</b>		<b>413,430</b>
<b>Total Unitholders' Equity at the end of the Period</b>		<b>20,024,796</b>

The Fund's first reporting period covers 7 May 2021 to 31 December 2021.

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

# Statement of Cash Flows

for the period 7 May 2021 to 31 December 2021

	7 May 2021 to 31 Dec 2021
	Note
	\$
<b>Cash Flows from Operating Activities</b>	
Dividends and distributions received (net of withholding tax)	180,136
Contributions received under MFG commitment deed	1,388,296
Support Trust income received	475
Other income received	1,766
Finance costs paid	(230)
Management fees paid	(93,946)
Reserve contributions paid	(2,340,995)
Transaction costs paid	(5,601)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>(870,099)</b>
<b>Cash Flows from Investing Activities</b>	
Purchase of investments	(18,925,518)
Proceeds from sale of investments	1,496,338
Net foreign exchange gain/(loss)	(23,136)
Net cash flows from settlement of forward foreign currency contracts	(196,934)
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(17,649,250)</b>
<b>Cash Flows from Financing Activities</b>	
Receipts from issue of units	20,491,640
Payments for redemption of units	(416,063)
Distributions paid	(390,332)
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>19,685,245</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>1,165,896</b>
Cash and cash equivalents at the beginning of the period	-
Effect of exchange rate fluctuations on cash and cash equivalents	(5,881)
<b>Cash and Cash Equivalents at the end of the Period</b>	<b>1,160,015</b>

The Fund's first reporting period covers 7 May 2021 to 31 December 2021.

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

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

## Overview

The Fund is a registered managed investment scheme under the *Corporations Act 2001* and quoted on Cboe Australia Pty Ltd Securities Exchange ("Cboe") (ticker code: FPAY). The Fund was registered on 7 May 2021 and in accordance with the Fund's Constitution, commenced on the date that the first unit was issued, which was 26 May 2021. The Fund terminates on the day immediately preceding the 80<sup>th</sup> anniversary of the date of commencement, unless terminated earlier in accordance with the Fund's Constitution.

MAM (ABN 31 120 593 946) is the Responsible Entity of the Fund.

On 25 October 2021, ASIC granted relief to the Fund from its reporting requirements under the section 323D(5) of the *Corporations Act 2001* for the period ended 6 November 2021. Accordingly, under this relief the Fund has prepared its first interim reporting as required under the Act for the period from 7 May 2021 to 31 December 2021.

This interim financial report was authorised for issue by the Directors of the Responsible Entity on 10 March 2022. The Directors have the power to amend and reissue this interim financial report.

The Fund is considered a for-profit unit trust for the purpose of this interim financial report.

## 1. Basis of Preparation

The condensed interim financial report is a general purpose financial report, presented in Australian Dollars, and has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001*, other mandatory professional reporting requirements and the Fund's Constitution.

The condensed interim financial report does not include all the information and disclosures normally included in the annual financial report. The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss. These fair value assets and liabilities comprise mainly investments that are managed based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. Consequently, the investments that may be realised within 12 months cannot be determined at balance date.

### 1.1. Accounting Policies

The accounting policies adopted in the preparation of this financial report are contained within the notes to which they relate. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### 1.2. Foreign Currency Translation

The functional and presentation currency of the Fund is the Australian Dollar, as determined in accordance with AASB 121 *The Effects of Changes in Foreign Exchange Rates*. Transactions denominated in foreign currencies are translated into Australian Dollars at the foreign currency exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian Dollars at the foreign currency closing exchange rate at balance date.

Foreign currency exchange differences arising on translation, and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian Dollars at the foreign currency closing exchange rates at the dates that the values were determined. Foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in profit or loss.

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

## 1.3. Investment Income

### *Dividend and Distribution Income*

Dividend and distribution income is recognised on the applicable ex-dividend/distribution date gross of withholding tax, which is recorded as an expense in profit or loss. Dividends and distributions received are presented net of withholding tax in the Statement of Cash Flows.

### *Contributions Received under MFG Commitment Deed*

Contributions received by the Fund pursuant to the MFG Commitment Deed (refer to note 8) are recognised daily on an accruals basis when there is a net issuance of units in the Fund.

### *Net Change in Fair Value of Investments*

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of Profit or Loss and Comprehensive Income. The net change in fair value does not include dividend and distribution income.

### *Interest Income*

Interest income is recognised on an accrual basis using the effective interest rate method.

### *Support Payment Income*

Support Payment income is recognised upon the declaration of a distribution by the Trustee of the Support Trust (refer to note 5).

## 1.4. Expenses

All expenses are recognised in the Statement of Profit or Loss and Comprehensive Income on an accruals basis.

### *Management Fees*

Fees payable to MAM for managing the assets of the Fund, are accrued daily based on the NAV per Unit and the fee is payable monthly in arrears.

### *Reserve Contributions*

Reserve Contributions are recognised daily on an accruals basis (refer to note 5).

## 1.5. Income Tax

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") regime was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The AMIT regime allows Managed Investment Trusts that meet certain requirements to make an irrevocable choice to be an AMIT. The Fund has elected into the AMIT regime from inception.

Under current income tax legislation, the Fund is not subject to income tax provided the Fund attributes the entirety of its taxable income to unitholders.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in profit or loss. The benefits of foreign withholding tax paid, and of imputation credits attaching to Australian franked dividends, are passed onto unitholders.

## 1.6. Goods and Services Tax

The Goods and Services Tax ("GST") incurred on the costs of various services provided to the Fund by third parties, such as custodial services and management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits ("RITC") at a rate of 55%- 75% and is also eligible to recover GST on offshore transactions. Management fees and other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position as a receivable or payable. Cash flows are included in the Statement of Cash Flows on a gross basis.

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

## 1.7. Cash and cash equivalents

Cash comprises cash at bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

## 1.8. Receivables

Receivables comprise amounts due from brokers for sales of assets unsettled at balance date, dividends and trust distributions declared but not yet received, and reclaimable taxes. They are recognised and carried at amortised cost using the effective interest rate method and adjusted for changes in foreign exchange rates where applicable. A provision is deducted from receivables for uncollectible amounts based on expected credit losses, if applicable. Expected credit losses are calculated as the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The Fund applies the simplified approach for receivables whereby the loss allowance is based on lifetime expected credit losses at each balance date.

At balance date, the Fund's receivables, excluding recoverable GST and foreign withholding tax, were due within 0 to 30 days. Recoverable GST is due within 30 to 90 days. Foreign withholding tax is due within 2 to 4 years depending on the jurisdiction. No amounts are impaired or past due at 31 December 2021.

## 1.9. Payables

Payables comprise trade creditors and accrued expenses owing by the Fund at balance date. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables and accruals are recognised at amortised cost, using the effective interest rate method, at the point where the Fund becomes obliged to make payments in respect of the purchase of these goods and services.

At balance date, all payables mature in 0 to 90 days.

## 1.10. Structured Entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

The Fund has determined that the Support Trust, of which it is a beneficiary (as set out in note 5), is an unconsolidated structured entity. In making this assessment the decision-making rights of the Fund with regards to the key activities of the Support Trust have been taken into consideration.

## 1.11. Critical Accounting Estimates and Judgements

The preparation of the Fund's financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. 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.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices. As most investments are valued with reference to the listed quoted prices and the Fund's cash is held with strongly rated financial institutions, the Fund's financial assets are not subject to significant judgement or complexity nor are the Fund's liabilities.

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

## 2. Distributions to Unitholders

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's PDS. Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Unrealised gains and losses on financial assets and liabilities that are recognised as income are transferred to unitholders' equity and are not assessable or distributable until realised. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively.

The Fund intends to pay a Target Monthly Income ("TMI") initially starting at 24.36 cents per unit per annum, paid in equal monthly instalments of 2.03 cents per unit. The Fund intends to adjust the TMI for inflation on a quarterly basis in arrears using the Australian Consumer Price Index ("CPI"). Where the change in CPI is negative the Fund intends for the TMI to remain unchanged.

Distributions to unitholders are recognised directly in equity and presented in the Statement of Changes in Equity. A distribution payable is recognised in the Statement of Financial Position where the distribution has been declared but remains unpaid at balance date.

Distributions for the period ended 31 December are as follows:

	\$	CPU	Date Paid
Distribution paid - June	<b>59,574</b>	<b>2.030</b>	<b>15 Jul 2021</b>
Distribution paid - July	<b>63,172</b>	<b>2.030</b>	<b>13 Aug 2021</b>
Distribution paid - August	<b>65,896</b>	<b>2.050</b>	<b>15 Sept 2021</b>
Distribution paid - September	<b>67,868</b>	<b>2.050</b>	<b>15 Oct 2021</b>
Distribution paid - October	<b>70,017</b>	<b>2.050</b>	<b>15 Nov 2021</b>
Distribution paid - November	<b>73,118</b>	<b>2.061</b>	<b>15 Dec 2021</b>
Distribution payable - December	<b>73,879</b>	<b>2.061</b>	<b>14 Jan 2022</b>

On 1 February 2022 MAM announced the TMI for the upcoming 3 month period (comprising February 2022, March 2022 and April 2022) of 2.089 CPU.

### Distribution Reinvestment Plan

The Fund's Distribution Reinvestment Plan ("DRP") was available to eligible unitholders from the September 2021 distribution.

Under the terms of the DRP, eligible unitholders can elect to reinvest all or part of their cash distributions in additional units in the Fund, free of any brokerage or other transaction costs. Units are issued and/or transferred to DRP participants at a price that is determined by MAM in accordance with the DRP Rules. DRP details for the final distributions are as follows:

	31 Dec 2021 Distribution	30 Nov 2021 Distribution	31 Oct 2021 Distribution	30 Sep 2021 Distribution
DRP issue price (\$)	<b>6.0421</b>	<b>5.8022</b>	<b>5.8626</b>	<b>5.7961</b>
DRP unitholder participation rate (%)	<b>5.57</b>	<b>4.57</b>	<b>4.50</b>	<b>4.25</b>
Number of units issued under DRP	<b>679</b>	<b>574</b>	<b>537</b>	<b>489</b>
Value of units issued under DRP (\$)	<b>4,103</b>	<b>3,331</b>	<b>3,148</b>	<b>2,834</b>
DRP issue date	<b>14 Jan 2022</b>	<b>15 Dec 2021</b>	<b>15 Nov 2021</b>	<b>15 Oct 2021</b>

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

## 3. Investments and Derivatives

The Fund classifies its equity securities and derivatives as financial assets and liabilities at fair value through profit or loss. The Fund discloses the fair value measurements of financial assets and financial liabilities using a three-level fair value hierarchy to reflect the source of valuation inputs used when determining the fair value as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing price for the security as quoted on the relevant exchange.
- Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices). The fair value of derivatives is based on a discounted cash flow analysis using quoted market inputs (spot and forward rates, volatility) adjusted for specific features of the instruments and applied debit and credit valuation adjustments based on the Fund's, or the derivative counterparties' current credit worthiness.
- Level 3: valuation techniques using non-market observable inputs.

	31 Dec 2021
	\$
<b>Investments (Level 1)</b>	
Australian listed equity securities	<b>704,951</b>
International listed equity securities:	
United States	11,734,734
Canada	1,363,242
United Kingdom	1,057,868
Spain	923,980
Switzerland	851,736
France	720,481
Italy	590,722
Germany	490,404
Mexico	202,304
Hong Kong	217,473
New Zealand	135,253
Netherlands	41,768
Portugal	30,488
Chile	10,979
<b>Total Investments</b>	<b>19,076,383</b>
<b>Derivative Assets (Level 2)</b>	
Forward foreign currency contracts	6,619
<b>Total Derivative Assets</b>	<b>6,619</b>
<b>Derivative Liabilities (Level 2)</b>	
Forward foreign currency contracts	98,460
<b>Total Derivative Liabilities</b>	<b>98,460</b>

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

The Fund does not hold any level 3 financial assets or liabilities. There have been no transfers between any of the three levels in the hierarchy during the period and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at balance date.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Fund is the transaction price. Brokerage costs are expensed immediately in the profit or loss. Subsequent to initial recognition, all financial assets and liabilities classified at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in profit or loss. The net change in fair value does not include dividend or distribution income.

Purchases and sales are recognised on trade date, being the date the Fund commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership are passed to a third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The fair value of equity securities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Fund is the closing price for the security as quoted on the relevant stock exchange. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques including recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques commonly used by market participants.

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable. Derivatives are included in the Statement of Financial Position as an asset when the fair value at balance date is positive and classified as a liability when the fair value at balance date is negative.

The following page contains a detailed listing of securities and stock exchange domicile, held by the Fund.

(i)	Australia	(vi)	France	(xi)	Canada
(ii)	United States	(vii)	Spain	(xii)	Mexico
(iii)	United Kingdom	(viii)	Italy	(xiii)	Hong Kong
(iv)	Germany	(ix)	Portugal	(xiv)	Netherlands
(v)	Switzerland	(x)	New Zealand	(xv)	Chile

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

Company Name	Exchange Listing	31 Dec 2021 \$	Company Name	Exchange Listing	31 Dec 2021 \$
Microsoft	(ii)	<b>957,540</b>	PPL	(ii)	<b>111,467</b>
Crown Castle	(ii)	<b>604,931</b>	Ameren	(ii)	<b>105,654</b>
Netflix	(ii)	<b>594,941</b>	FirstEnergy	(ii)	<b>105,198</b>
Alphabet - Class C	(ii)	<b>577,086</b>	APA	(i)	<b>99,805</b>
Starbucks	(ii)	<b>538,958</b>	DTE Energy	(ii)	<b>99,802</b>
Yum! Brands	(ii)	<b>527,899</b>	Auckland International Airport	(x)	<b>99,062</b>
Visa - Class A	(ii)	<b>506,119</b>	CMS Energy	(ii)	<b>97,792</b>
Pepsico	(ii)	<b>503,414</b>	Entergy	(ii)	<b>86,302</b>
Xcel Energy	(ii)	<b>459,807</b>	AusNet Services	(i)	<b>85,553</b>
Intercontinental Exchange	(ii)	<b>441,885</b>	Centerpoint Energy	(ii)	<b>84,377</b>
Meta Platforms Class A	(ii)	<b>435,791</b>	Enagas	(vii)	<b>83,249</b>
Eversource Energy	(ii)	<b>421,082</b>	Avangrid	(ii)	<b>76,976</b>
WEC Energy	(ii)	<b>420,830</b>	Alliant Energy	(ii)	<b>74,571</b>
SAP	(iv)	<b>417,092</b>	Fraport	(iv)	<b>73,312</b>
MasterCard	(ii)	<b>410,200</b>	Italgas	(viii)	<b>69,860</b>
Reckitt Benckiser	(iii)	<b>407,728</b>	Grupo Aeroportuario Del-B	(xii)	<b>68,667</b>
Nestle	(v)	<b>401,297</b>	Evergy	(ii)	<b>63,604</b>
Novartis	(v)	<b>394,703</b>	Grupo Aeroportuario De Sur-B	(xii)	<b>59,554</b>
Procter & Gamble	(ii)	<b>357,961</b>	Canadian Utilities LTD-A	(xi)	<b>58,408</b>
Alibaba Group	(ii), (xiii)	<b>353,362</b>	Essential Utilities	(ii)	<b>58,265</b>
McDonald's	(ii)	<b>349,168</b>	Atmos Energy	(ii)	<b>56,488</b>
Amazon.com	(ii)	<b>311,856</b>	Flughafen Zurich	(v)	<b>55,736</b>
Vinci	(vi)	<b>286,287</b>	Atlas Arteria	(i)	<b>52,170</b>
Fortis	(xi)	<b>284,624</b>	Nisource	(ii)	<b>51,039</b>
Enbridge	(xi)	<b>271,914</b>	HICL Infrastructure	(iii)	<b>49,418</b>
National Grid	(iii)	<b>269,636</b>	Acea	(viii)	<b>46,391</b>
Aena	(vii)	<b>268,553</b>	International Public Partnerships	(iii)	<b>44,987</b>
Transurban	(i)	<b>268,122</b>	Pennon	(iii)	<b>42,481</b>
Cellnex Telecom	(vii)	<b>263,852</b>	Vopak	(xiv)	<b>41,768</b>
TC Energy	(xi)	<b>262,642</b>	Grupo Aeroportuario Del Cent	(xii)	<b>38,575</b>
Snam Rete Gas	(viii)	<b>240,448</b>	Pinnacle West Capital	(ii)	<b>37,865</b>
SBA Communications Corporation	(ii)	<b>206,001</b>	Vector	(x)	<b>36,191</b>
American Tower	(ii)	<b>201,558</b>	Promotora y Operadora De Inf	(xii)	<b>35,508</b>
Terna	(viii)	<b>200,423</b>	ENAV	(viii)	<b>33,600</b>
American Electrical Power	(ii)	<b>199,955</b>	Redes Energeticas Nacionais	(ix)	<b>30,488</b>
Sydney Airport	(i)	<b>199,301</b>	LVMH	(vi)	<b>14,783</b>
Hydro One	(xi)	<b>197,380</b>	Idacorp	(ii)	<b>14,338</b>
Southern Co	(ii)	<b>194,595</b>	Portland General Electric	(ii)	<b>13,247</b>
Duke Energy	(ii)	<b>186,412</b>	Chesapeake Utilities	(ii)	<b>11,632</b>
Sempra Energy	(ii)	<b>185,034</b>	Black Hills	(ii)	<b>11,551</b>
Dominion Energy	(ii)	<b>184,122</b>	One Gas	(ii)	<b>10,992</b>
Power Assets Holdings	(xiii)	<b>167,193</b>	Aguas Andinas	(xv)	<b>10,979</b>
Emera	(xi)	<b>162,047</b>	PNM Resources	(ii)	<b>9,473</b>
Amadeus IT	(vii)	<b>159,330</b>	Spire	(ii)	<b>9,419</b>
Aeroports De Paris	(vi)	<b>158,962</b>	Allete	(ii)	<b>9,126</b>
American Water Works	(ii)	<b>157,156</b>	MGE Energy	(ii)	<b>8,485</b>
Red Electrica	(vii)	<b>148,996</b>	Northwestern	(ii)	<b>8,098</b>
Safran	(vi)	<b>145,829</b>	American States Water	(ii)	<b>7,683</b>
Consolidated Edison	(ii)	<b>126,739</b>	California Water Service	(ii)	<b>6,721</b>
United Utilities	(iii)	<b>126,350</b>	Avista	(ii)	<b>6,253</b>
Algonquin Power & Utilities	(xi)	<b>126,227</b>	South Jersey Industries	(ii)	<b>4,563</b>
Alphabet - Class A	(ii)	<b>123,524</b>	SJW	(ii)	<b>3,625</b>
Severn Trent	(iii)	<b>117,268</b>	Northwest Natural Holding Co	(ii)	<b>2,482</b>
Getlink	(vi)	<b>114,620</b>	<b>Total Investments</b>		<b>19,076,383</b>

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

## 4. Unitholders' Equity

	<b>7 May 2021 to 31 Dec 2021</b>	<b>No. of Units</b>
Opening balance		-
Units issued		3,657,948
Units issued under DRP		1,600
Units redeemed		(74,927)
<b>Units on Issue at end of the Period</b>		<b>3,584,621</b>

### Entering and exiting the Fund

The Fund commenced trading on Cboe on 2 June 2021. Investors can enter or exit the Fund via buying/selling units on Cboe or by applications/withdrawals direct to/from the Responsible Entity. The method of entry into the Fund does not affect the method of exit from the Fund. The entry and exit price received and investment minimums are set out in the Fund's PDSs at [www.magellanfuturepay.com.au](http://www.magellanfuturepay.com.au).

### Ordinary Units

Applications received are recorded net of entry fees. Redemptions from the Fund are recorded gross of exit fees and a Mutualisation Amount. The Mutualisation Amount will be equal to the value of the Support Trust Rights included in the NAV per Unit for the business day on which the Fund received a valid withdrawal request (subject to a maximum of 7.5% of the sum of the Fund's estimated portfolio value per unit and the value of the Support Trust Rights per unit).

The Fund recognises the units issued, redeemed or switched when settled, which is the trade date.

Each unit confers upon the unitholder an equal interest in the Fund, and is of equal value to other units in the Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Fund. The rights of unitholders are contained in the Fund's Constitution and include:

- the right to receive a distribution determined in accordance with the provisions of the Fund's Constitution;
- the right to attend and vote at meetings of unitholders;
- the right to participate in the termination and winding up of the Fund; and
- the right to redeem units, noting the expected cash outflow is determined in accordance with the Fund's PDS and any amounts which have been reserved within the Support Trust cannot be redeemed when an investor leaves the Fund. The redemption of units is subject to restrictions disclosed in the Fund's PDS. Those restrictions may include where trading in units on the securities exchange is suspended for five consecutive business days. In this case, unitholders may apply to the Responsible Entity to make an off-market withdrawal of their investment from the Fund when the Fund is liquid. Where the Fund ceases to be liquid, units may only be withdrawn once an offer is made to all investors in the Fund in accordance with the Fund's Constitution.

There may be other circumstances where off-market withdrawals from the Fund are suspended for up to 28 days, including where:

- it is impracticable for the Responsible Entity, or the Responsible Entity is unable, to calculate the Net Asset Value ("NAV") of the Fund;
- the payment of withdrawal proceeds involves realising a significant portion of the Fund's assets which would, in the Responsible Entity's opinion, result in remaining investors bearing a disproportionate amount of capital gains tax or expenses, or suffering any other disadvantage or diminution of the value of units held;
- the Responsible Entity reasonably considers it would be in the interests of investors, or it is otherwise permitted by law; or
- the Responsible Entity receives withdrawal requests of an aggregate value that in its reasonable estimate exceeds 5% of the Fund's assets.

There are no separate classes of units and each unit in the Fund has the same rights attaching to it as all other units of the Fund.

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

## 5. The Support Trust

The Support Trust is a discretionary trust established by a trust deed of which the Fund and MFG are beneficiaries. Magellan FuturePay Pty Limited, a subsidiary of MFG, is the trustee of the Support Trust ("Trustee") and administers the Support Trust in accordance with the trust deed ("Support Trust Deed").

The Support Trust represents a separate pool of assets funded from payments made from the assets of the Fund and up to \$50 million of capital provided by MFG (refer to note 8). The assets of the Support Trust do not form part of the assets of the Fund.

Currently, the Support Trust may only invest in cash and cash equivalents, however additional asset classes may be approved for investment from time to time. MAM has been appointed Investment Manager of the Support Trust. Information on the assets of the Support Trust is available on the Fund's website at [www.magellanfuturepay.com.au](http://www.magellanfuturepay.com.au).

### Transfers between the Fund and the Support Trust

The Fund may make contributions to the Support Trust out of the assets of the Fund ("Reserve Contributions") in the below circumstances:

- Where units are issued in the Fund (both as a result of subscriptions for units and the creation of units on the Securities Exchange) ("Adequacy Contribution");
- Where there is outperformance in the investment portfolio of the Fund ("Outperformance Contribution"); and
- Where contributions are received under the MFG Commitment Deed (refer to note 8) ("MFG Contribution").

Reserve Contributions are a cost to the Fund that is recognised on an accruals basis. Reserve Contributions will be paid out of the assets of the Fund on a monthly basis as detailed in the Fund's PDS, but are not a fee paid to the Responsible Entity. The objective of Reserve Contributions is to capitalise the Support Trust with sufficient assets to enable it to assist the Fund in paying the TMI to investors over the long-term.

The Trustee of the Support Trust may make payments to the Fund out of the Support Trust's assets ("Support Payments") to assist the Fund in paying the TMI to investors, however the Trustee has no obligation to make a payment to the Fund at a given point in time.

During the period, the following Reserve Contributions and Support Payments occurred between the Fund and the Support Trust:

	31 Dec 2021	\$
Adequacy Contribution	722,190	
Outperformance Contribution	426,761	
MFG Contribution	1,412,658	
<b>Reserve Contributions from the Fund to the Support Trust</b>	<b>2,561,609</b>	
 <b>Support Payments from the Support Trust to the Fund</b>		<b>475</b>

Since the end of the period, the Fund has made further Reserve Contributions of \$32,613, being the total of an Adequacy Contribution of \$19,609 and MFG Contribution of \$13,003. The Fund has also received \$18,388 in Support Payments from the Support Trust.

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

## Summary Support Trust Financial Information

	31 Dec 2021	\$
<b>Assets</b>		
Cash and cash equivalents	2,340,520	
Receivables	220,614	
<b>Total Assets</b>	<b>2,561,134</b>	
<b>Liabilities</b>		
Distributions payable	-	
<b>Total Liabilities</b>	<b>-</b>	
<b>Net Assets</b>		<b>2,561,134</b>
<b>Total Profit/(Loss) for the period<sup>1</sup></b>		<b>-</b>

<sup>1</sup> For the period from 7 May 2021 to 31 December 2021.

In a release to the Cboe on 7 March 2022 the NAV of the Support Trust as at 28 February 2022 was \$2,575,359.

## 6. Earnings per Unit

Basic Earnings Per Unit ("EPU") is calculated as profit/(loss) for the period divided by the weighted average number of units on issue. Diluted earnings per unit is calculated by adjusting the basic earnings per unit to take into account the effect of any changes in income or expense associated with dilutive potential units and the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units.

	31 Dec 2021
<b>Basic and Diluted EPU</b>	
Profit/(loss) attributable to unitholders (\$)	413,430
Weighted average number of units for basic and diluted EPU	3,190,029 <sup>1</sup>
<b>Basic and Diluted EPU (Cents)</b>	<b>12.96</b>
<b>Earnings Reconciliation</b>	
Profit/(loss) used in the calculation of basic and diluted EPU (\$)	<b>413,430</b>

<sup>1</sup> The weighted average number of units is calculated from 26 May 2021, when the Fund's first unit was allotted, to 31 December 2021.

As the Fund has no potential, dilutive units, basic and diluted EPU are equal. Since the end of the period, the Fund has issued ordinary units under the DRP (refer to note 2).

## 7. Net Asset Value per Unit

The NAV per unit represents the net assets of the Fund presented in the Statement of Financial Position at balance date divided by the number of units on issue at balance date (refer to note 4). The NAV per unit at balance date differs from the NAV per unit reported to Cboe at 31 December 2021 due to the value of Support Trust Rights, distributions payable and fee accruals. The Support Trust Rights value is included in the calculation of daily entry and exit prices (further details can be found in the Fund's PDS), additionally this value is published daily and can be located on the website [www.magellanfuturepay.com.au](http://www.magellanfuturepay.com.au).

	31 Dec 2021
NAV per unit	5.5863

NAV moves as a result of a number of factors, including movements in asset prices, exchange rates and unitholder subscriptions and redemptions. Subsequent to balance date, as at 4 March 2022, the Fund had a NAV per unit of \$5.6065 with a net asset value of \$20,203,538 including the value of Support Trust Rights, and 3,603,584 units on issue.

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

## 8. Related Parties

### Responsible Entity

The Responsible Entity of the Fund is MAM. MAM is a wholly-owned subsidiary of MFG, the immediate and ultimate parent entity of the Responsible Entity, and both are considered to be related parties of the Fund.

### Key Management Personnel

Key management personnel ("KMP") are those persons or corporate entities who have authority and responsibility for planning, directing and controlling the activities of the Fund. The Responsible Entity is responsible for managing the activities of the Fund and is considered to be a KMP. The Fund does not employ personnel in its own right.

The Directors of MAM are considered to be KMP. The Directors of MAM during the period and up to the date of this report are set out in section 1 of the Responsible Entity's Report. The Fund did not pay any compensation to the Directors of the Responsible Entity.

### Management Fees

The Responsible Entity is entitled to receive management fees from the Fund for managing the assets and overseeing the operations of the Fund. The management fee is 1.00% per annum of the portfolio value of the Fund. The Responsible Entity pays operating expenses of the Fund, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs. Management fees are calculated daily based on the Net Asset Value of each Fund (before fees) and reflected in the daily unit prices of the Fund and are payable at the end of each month.

The Responsible Entity will reduce its management fee from the Fund to the extent that MFG receives a distribution of income from the Support Trust (Dec 2021: Nil), however the management fee cannot be reduced below zero.

The fees paid/payable by the Fund are net of any applicable reduced input tax credits (refer to note 1.6). The management and performance fees paid/payable by the Fund are as follows:

	<b>26 May 2021 to 31 Dec 2021</b>	\$
Management fee	106,434	
<b>Total Fees Expensed in the Statement of Profit or Loss and Comprehensive Income</b>	<b>106,434</b>	
<b>Total Fees Payable in the Statement of Financial Position</b>	<b>18,713</b>	

### Transactions with Related Parties

Number of units held by each KMP, including their personally-related parties, in the Fund for the period ended 31 December is as follows:

	<b>Units Acquired During the Period Number</b>	<b>Units Disposed During the Period Number</b>	<b>Units Held at End of Period Number</b>	<b>Units %</b>	<b>Distributions Paid and Payable \$<sup>1</sup></b>
MFG	1,883,335	-	1,883,335	53%	269,089

<sup>1</sup> Represents distributions paid and payable for the period, comprising cash paid and DRP units issued.

Transactions between the Fund and related parties are subject to the same terms and conditions as those entered into by other unitholders. No KMP held units in the Fund other than specified above.

# Notes to the Financial Statements

for the period 7 May 2021 to 31 December 2021

MFG has committed to provide the Fund with the following support:

- Up to \$50,000,000 to assist with the initial capitalisation of the Support Trust. MFG's contribution will be made incrementally when there is a net issuance of units in the Fund. At 31 December 2021, MFG's contributions amounted to \$1,412,658 which have been recognised as income in the Statement of Profit or Loss and Comprehensive Income. Receipt of the remaining balance of MFG's commitment is dependent on the issuance of units in the Fund; and
- A finance facility ("Reserve Facility") equal to 2% of the Fund's portfolio value, capped at \$100,000,000. The Fund may utilise this facility to pay the TMI to unitholders where assets in the Support Trust are low during periods of poor market conditions. Where the facility is drawn, repayment must be made to MFG in months when the Fund's investment portfolio outperforms and the assets in the Support Trust have been replenished. Interest is payable monthly to MFG on outstanding amounts. As at 31 December 2021, the Reserve Facility is undrawn.

## 9. Segment Information

An operating segment is a distinguishable component of the Fund that is engaged in business activity from which the Fund earns revenues and incurs expenses, whose operating results are regularly reviewed by the Fund's chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision maker has been determined as Ms Kirsten Morton.

The Fund's investments are managed on a single portfolio basis and in one business segment being equity investment, as well as in one geographic segment being Australia. The Fund continues to have foreign exposures as it invests in companies which operate internationally.

## 10. Contingent Assets, Contingent Liabilities and Commitments

At balance date the Fund had no contingent assets, contingent liabilities or commitments.

## 11. Subsequent Events

On 7 February 2022, MAM announced that its Chief Investment Officer and Portfolio Manager, Mr Hamish Douglass, was taking a medical leave of absence to prioritise his health following a period of intense pressure and focus on both his professional and personal life. At that time, Mr Chris Mackay was appointed to oversee the portfolio management in conjunction with the Fund's co-portfolio managers, Ms Nikki Thomas and Mr Arvid Streimann, with the support of MAM's Investment team.

Other than the items disclosed throughout this interim financial report there have been no matters or circumstances arising after the end of the period that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future financial periods. Asset prices move daily and intraday indicative NAV per unit and daily NAV per unit are available on the MFG website and also the Cboe website.

# Directors' Declaration

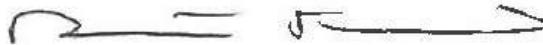
for the period 7 May 2021 to 31 December 2021

In the Directors' opinion,

- a. the financial statements and notes on pages 9 to 24 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the financial position of the Fund as at 31 December 2021 and of its performance as represented by the results of its operations and cash flows for the period 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 Fund will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving declarations that mirror section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors of the Responsible Entity.



**Robert Fraser**

Chairman

Sydney, 10 March 2022

## Independent Auditor's Review Report to the unitholders of Magellan FuturePay

### Conclusion

We have reviewed the accompanying interim financial report of Magellan FuturePay (the Fund), which comprises the statement of financial position as at 31 December 2021, the statement of profit and loss and comprehensive income, statement of changes in equity and statement of cash flows for the interim period 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 interim financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

1. giving a true and fair view of the Fund's financial position as at 31 December 2021 and of its financial performance for the interim period ended on that date; and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Annual Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Directors' Responsibility for the Interim Financial Report

The directors of the Responsible Entity are responsible for the preparation of the Interim 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 Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2021 and its performance for the interim period ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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A review of an interim 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.

Ernst & Young

**Ernst & Young**

**Clare Sporle**

**Partner**

Sydney, 10 March 2022

# Corporate Information

## Directors of the Responsible Entity

Robert Fraser - Chairman  
John Eales AM  
Colette Garnsey OAM  
Hamish McLennan  
Kirsten Morton - Interim Chief Executive Officer and Chief Financial Officer  
Karen Phin

## Company Secretaries

Marcia Venegas  
Mariana Kolaroski

## Registered Office

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## Website

<http://www.magellangroup.com.au>

## Auditor

Ernst & Young  
200 George Street  
Sydney NSW 2000

## Unit Registrar

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