

# Magellan FuturePay™ (Managed Fund)

A growing monthly income, now and into the future

ARSN: 649 688 693

Chi-X Ticker: FPAY

## Fund Facts

Portfolio Manager	Paddy McCrudden	
Inception Date	2 June 2021	
Management Fee <sup>1</sup>	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 \$20.1 million	
FuturePay Nav per Unit	AUD \$6.0669 <sup>†</sup> per unit	
Hedge Ratio	43.18%	
Distribution Frequency	Monthly	
Target Monthly Income	<ul style="list-style-type: none"> <li>AUD 2.061 cents per unit, growing at inflation quarterly</li> <li>Income yield of 4.08%<sup>^</sup></li> </ul>	
Tickers	<b>Solactive iNav</b>	<b>ICE iNav</b>
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 \$2.6 million	
Support Trust Distribution Coverage <sup>2</sup>	34 months	
Asset Composition of Support Trust	Cash (AUD)/Cash equivalent	
Reserve Ratio	12.73%	
Index Relative Ratio	1.0312	
Mutualisation Amount per Unit	AUD \$0.4554	
MFG Capital Commitment / Paid	AUD \$50.0 million / AUD \$1.4 million	

<sup>1</sup> 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.

<sup>†</sup> NAV is cum distribution and therefore includes the distribution amount of AUD 2.061 cents per unit.

<sup>2</sup> 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)

<sup>^</sup> 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](http://www.magellanfuturepay.com.au).

## Fund Performance

	1 Month (%)	3 Months (%)	6 Months (%)	Since Inception (%) <sup>#</sup>
Investor Distribution	0.3	1.1	2.2	2.6
Capital Growth <sup>3</sup>	3.8	4.6	4.1	5.4
FuturePay Total Return <sup>4</sup>	4.1	5.7	6.3	8.0
Investor Return <sup>5</sup> (after mutualisation amount)	-3.7	-2.2	-1.7	-0.1

<sup>#</sup> The inception date is 02 June 2021 (inclusive).

<sup>3</sup> Growth in the FuturePay NAV per Unit excluding distributions.

<sup>4</sup> 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.

<sup>5</sup> 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 Chi-X securities exchange, which may result in different Investor Returns to the Investor Returns when Units are withdrawn directly with the Fund.

## 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](http://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 Chi-X 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.

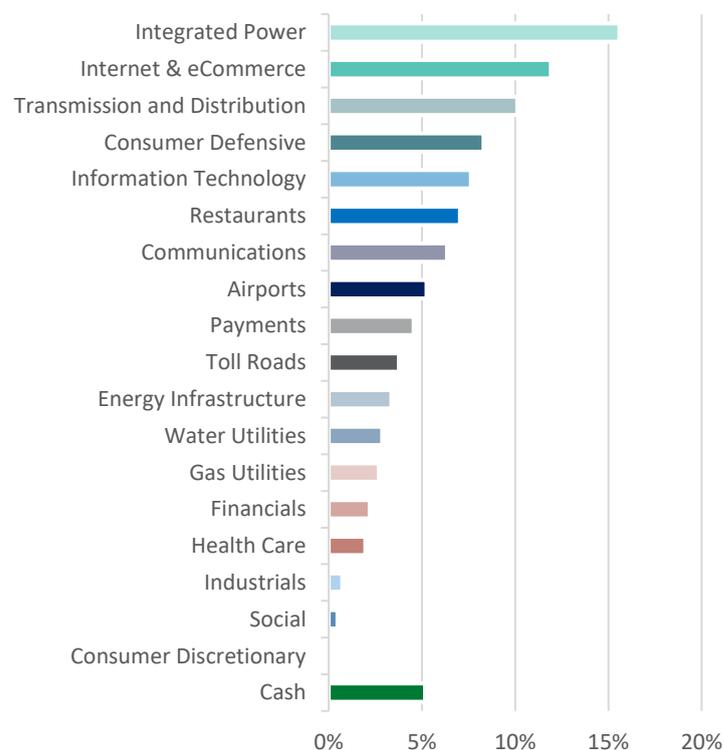
*"Reserving is the unique feature of FuturePay. Once we understood the power and the benefits of reserving, we set about trying to think of what the best reserving strategy was."*

**PADDY McCRUDDEN, HEAD OF RETIREMENT SOLUTIONS**

## Top 10 Holdings

Company	Sector <sup>6</sup>	%
Microsoft Corporation	Information Technology	4.8
Alphabet Inc	Internet & eCommerce	3.5
Crown Castle International	Communications	3.0
Netflix Inc	Internet & eCommerce	3.0
Starbucks Corporation	Restaurants	2.7
Yum! Brands Inc	Restaurants	2.6
Visa Inc	Payments	2.5
Pepsico Inc	Consumer Defensive	2.5
Xcel Energy Inc	Integrated Power	2.3
Intercontinental Exchange Inc	Financials	2.2
<b>TOTAL:</b>		<b>29.0</b>

## Sector Exposure<sup>6</sup>



<sup>6</sup> Sectors are Magellan defined. Exposures may not add to 100% due to rounding.

## FuturePay Glossary

Term	Definition
<b>Active ETF</b>	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.
<b>Index Relative Ratio</b>	A measure of whether <b>FuturePay</b> has outperformed the Inflation Target – referred to as the 'Index Unit Price' in the Product Disclosure Statement. Calculated as <b>FuturePay's</b> Portfolio Value per Unit relative to the Index Unit Price.
<b>Inflation Target</b>	<p>One of the key benefits that <b>FuturePay</b> 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><b>FuturePay's</b> 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 Target published for the most recent quarterly period (applied in arrears).</p> <p>If the value of <b>FuturePay's</b> investment portfolio is above the Inflation Target – this means that <b>FuturePay</b> has both delivered the target monthly income and the value of its investment portfolio has grown at or above the rate of inflation.</p>
<b>MFG Reserve Facility</b>	<p>If the assets in the Support Trust are low, <b>FuturePay</b> can borrow additional funds from Magellan Financial Group to support <b>FuturePay</b> in paying the target monthly income to investors.</p> <p>This is only repayable when the Support Trust reserves have been recovered and <b>FuturePay</b> outperforms its inflation objective.</p>
<b>Mutualisation Amount</b>	<p>The amount you leave behind if you redeem your investment in <b>FuturePay</b> off-market with Magellan via the unit registry. The Mutualisation Amount is retained by <b>FuturePay</b> 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 <b>FuturePay</b> – 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 <b>FuturePay</b> 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>
<b>Portfolio Value</b>	A measure of the size of the assets of <b>FuturePay</b> or the Support Trust (as the case may be).
<b>Reserve Ratio</b>	Reserve Ratio is a measure of the relative size of the assets of the Support Trust to the assets of <b>FuturePay</b> . It is calculated by dividing the Portfolio Value of the Support Trust by the Portfolio Value of <b>FuturePay</b> .
<b>Responsible Entity</b>	Magellan Asset Management Limited is the responsible entity of <b>FuturePay</b> .
<b>Support Trust</b>	<p>The Support Trust is a separate pool of assets managed for the benefit of <b>FuturePay</b> investors. It is structured as a discretionary trust.</p> <p>The Support Trust's objective is to assist <b>FuturePay</b> 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>

**Important Information:** Units in the fund referred to herein are issued by Magellan Asset Management Limited ABN 31 120 593 946, AFS Licence No. 304 301 ('Magellan'). This material has been prepared for general information purposes only and must not be construed as investment advice or as an investment recommendation. This material does not take into account your investment objectives, financial situation or particular needs. This material does not constitute an offer or inducement to engage in an investment activity nor does it form part of any offer documentation, offer or invitation to purchase, sell or subscribe for interests in any type of investment product or service. You should obtain and consider the relevant Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') and consider obtaining professional investment advice tailored to your specific circumstances before making a decision about whether to acquire, or to continue to hold, the relevant financial product. A copy of the relevant PDS and TMD relating to the relevant Magellan financial product may be obtained by calling +61 2 9235 4888 or by visiting [www.magellanfuturepay.com.au](http://www.magellanfuturepay.com.au). Past performance is not necessarily indicative of future results and no person guarantees the future performance of the fund, the amount or timing of any return from it, that asset allocations will be met, that it will be able to implement its investment strategy or that its investment objectives will be achieved. Magellan makes no guarantee on the value of the fund or that the target cash distribution will be met. Statements contained in this material that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Magellan. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. This material may contain 'forward-looking statements'. Actual events or results or the actual performance of a Magellan financial product or service may differ materially from those reflected or contemplated in such forward-looking statements. This material may include data, research and other information from third party sources. Magellan makes no guarantee that such information is accurate, complete or timely and does not provide any warranties regarding results obtained from its use. No representation or warranty is made with respect to the accuracy or completeness of any of the information contained in this material. Magellan will not be responsible or liable for any losses arising from your use or reliance upon any part of the information contained in this material. Further information regarding any benchmark referred to herein can be found at [www.magellanfuturepay.com.au](http://www.magellanfuturepay.com.au). Any third-party trademarks contained herein are used for information purposes only and are the property of their respective owners. Magellan claims no ownership in, nor any affiliation with, such trademarks. This material and the information contained within it may not be reproduced, or disclosed, in whole or in part, without the prior written consent of Magellan. FPAY44561

## Market Commentary

---

Global stocks surged to record highs in the December quarter as concerns abated about the economic damage of the new Omicron covid-19 variant, US companies posted stellar earnings reports, and US Congress postponed a debt-ceiling showdown and passed more stimulus. The rise occurred even though the Federal Reserve decided to reduce its asset purchases after US inflation reached a 39-year high and inflation accelerated worldwide. During the quarter, 10 of the 11 sectors rose in US-dollar terms. Information technology (+13.2%) rose the most while communication services (-1.7%) was the sector that fell. The Morgan Stanley Capital International World Index rallied 7.8% in US dollars, to be up 21.8% for 2021. In Australian dollars, the index gained 7.1% in the quarter and 29.3% over the year.

US stocks climbed as better jobless numbers and encouraging reports on earnings, especially from the banks and Big Tech, prompted investors to brush aside concerns that inflation is being entrenched. A report showed consumer prices climbed 6.8% in the 12 months to November, the most since 1982. In response, the Federal Reserve said it would accelerate its 'tapering' of monthly bond purchases. The central bank said it would prune its asset buying such that in January it would buy only US\$60 billion of Treasuries and mortgage-backed securities compared with US\$120 billion a month pre-tapering, while most Fed policymakers said they were prepared to raise the US cash rate three times in 2022. While reports showed an economy at full employment (the jobless rate fell to a pandemic low of 4.2% in November), the US economy expanded at a revised annualised rate of only 2.3% during the September quarter. In political news, the House of Representatives, over the unanimous opposition of Republicans, passed the US\$2.2 trillion Build Back Better Act only for the centrepiece of President Joe Biden's domestic agenda to be blocked in the Democrat-controlled Senate. The House, with some Republican support, approved a US\$1.2 trillion infrastructure package that had already passed the Senate. A proposal to raise the federal government's borrowing limit by US\$2.5 trillion passed both chambers of Congress just before the December 15 deadline. The S&P 500 Index soared 10.6%, to up 26.9% for 2021.

European stocks advanced on encouraging earnings results and improved economic news. A report showed the eurozone economy expanded 2.2% in the September quarter after pandemic restrictions eased, the same speed it grew in the June quarter. A report that showed eurozone inflation reached 4.9% in the 12 months to November proved no dampener after the European Central Bank indicated it would not overreact to rising prices. The Euro Stoxx 50 Index added 6.2% over the quarter and 21% over 2021.

Japan's Nikkei 225 Index lost 2.2% in the quarter, reducing 2021's gain to 4.9%, as the new covid-19 variant prompted authorities to close the national border to foreigners and a report showed the economy shrank a larger-than-expected 0.9% in the September quarter, a contraction that prompted the re-elected Liberal Democrat government to promise US\$350 billion in fresh fiscal stimulus. Australia's S&P/ASX 200 Accumulation Index rose 2.1% over the quarter (and 17.2% over 2021) as iron ore prices recovered and governments eased pandemic restrictions.

China's CSI 300 Index edged up 1.5% over the quarter (to be down 5.2% for 2021) on talk the regulatory crackdown on tech stocks has peaked. A report showed the pandemic had slowed economic growth to a 12-month rate of 4.9% in the September quarter. The MSCI Emerging Markets Index shed 1.7% in US dollars over the quarter and 4.6% over the year as emerging countries were hit harder by the new variant.

## Portfolio Commentary

---

The two underlying strategies recorded positive returns for the quarter. With the Global Plus strategy, the biggest contributors were the investments in Microsoft, Intercontinental Exchange and PepsiCo. Microsoft surged on a 22% jump in revenue for the third quarter as its cloud business benefited from the global shift to remote work. Intercontinental Exchange rose as energy derivative volumes climbed on the back of rising energy price volatility. PepsiCo gained after the drinks and snacks company raised its forecast for full-year earnings when announcing third-quarter profit and revenue (9% 'organic' growth) numbers that beat expectations.

For the Core infrastructure strategy, the stocks that contributed the most included the investments in National Grid of the UK, Crown Castle International of the US and Terna of Italy. National Grid surged after the electricity utility announced underlying operating profit in the first half soared by a higher-than-expected 47% to 1.41 billion pounds and the company said it expects to deliver full-year underlying earnings "significantly above the top end of the 5% to 7% range" thanks to the earlier-than-expected commissioning of a new interconnector and higher auction prices across the interconnector portfolio. Crown Castle gained after the tower operator announced it had increased its dividend by an annualised 11% a share when it delivered healthy third-quarter earnings. Terna gained after the results of the company that operates Italy's grid showed a higher-than-expected 6.8% jump in revenue for the nine months to September as demand for electricity rose.

## Reserve Strategy

---

The monthly distribution for the end of September 2021 was 2.05 cents per unit. On October 27, the Australian Bureau of Statistics said the consumer price index rose by 0.8% in the September quarter. As such, at the end of November 2021, the FuturePay distribution was increased to 2.061 cents per unit.

The FuturePay Support Trust started the quarter with capital of \$2.15 million. This represented more than 31 months of distributions. In October, the Portfolio Value per unit grew by 2.36 cents per unit, which resulted in a modest contribution of 0.22 cents per unit into the Support Trust. The November performance was just slightly above inflation at 3.05 cents per unit, resulting in a small contribution to the Support Trust. Finally, the strong market conditions in December meant that the Portfolio Value rallied by 17.09 cents per unit, resulting in a contribution of 4.10 cents per unit. This support payment represents a little less than two months of the monthly distribution.

Over the quarter, there were about \$2.04 million of client inflows to the fund. Consequently, \$152,000 of Adequacy Contributions were made into the Support Trust, representing about 7.5% of the inflow. Magellan made a further contribution of \$75,000 to the Support Trust, representing 3.7% of the inflow.

The Support Trust finished the quarter with capital of \$2.56 million, which represents a reserve ratio of 12.73% and covers more than 34 months of distributions. The reserve strategy functioned as expected over the quarter.