

# Magellan FuturePay™ (Managed Fund)

A growing monthly income, now and into the future

ARSN: 623 378 487

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 \$17.8 million	
FuturePay Nav per Unit	AUD \$5.8011 <sup>†</sup> per unit	
Hedge Ratio	44.73%	
Distribution Frequency	Monthly	
Target Monthly Income	<ul style="list-style-type: none"> <li>AUD 2.05 cents per unit, growing at inflation quarterly</li> <li>Income yield of 4.24%<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 \$2.1 million	
Support Trust Distribution Coverage <sup>2</sup>	31 months	
Asset Composition of Support Trust	Cash (AUD)/Cash equivalent	
Reserve Ratio	12.11%	
Index Relative Ratio	0.9929	
Mutualisation Amount per Unit	AUD \$0.4354	
MFG Capital Commitment / Paid	AUD \$50.0 million / AUD \$1.3 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 2.05 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 (%)	Since Inception (%) <sup>#</sup>
Investor Distribution	0.4	1.1	1.4
Capital Growth <sup>3</sup>	-3.5	-0.5	0.8
FuturePay Total Return <sup>4</sup>	-3.1	0.6	2.2
Investor Return <sup>5</sup> (after mutualisation amount)	-10.4	-7.0	-5.5

<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> The Investor return shows the impact of the Mutualisation Amount on the performance of FuturePay. 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).

## 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.

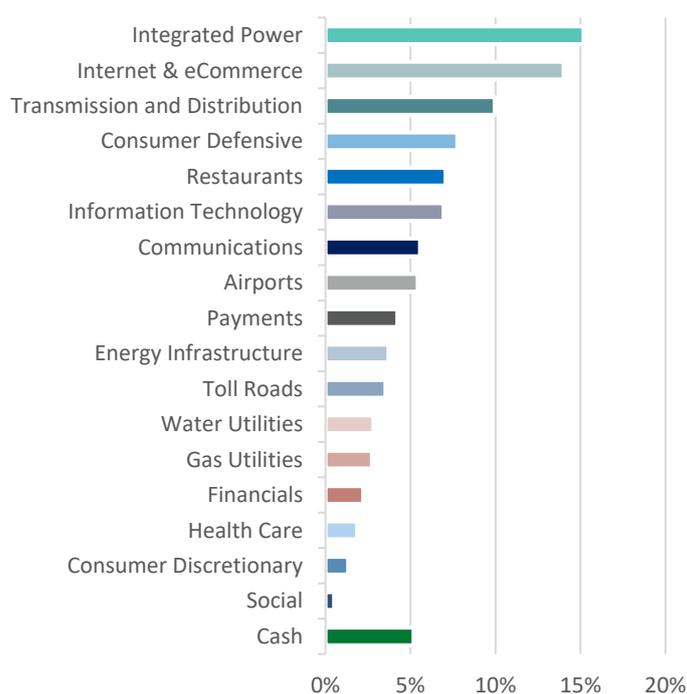
*"Reserving is the unique feature of FuturePay. Once we understood the power and the benefits of reserving, we set about trying to think of what the best reserving strategy was."*

**DR BRETT CAIRNS, CHIEF EXECUTIVE OFFICER**

## Top 10 Holdings

Company	Sector	%
Microsoft Corporation	Information Technology	4.6
Alphabet Inc	Internet & eCommerce	3.6
Facebook Inc	Internet & eCommerce	3.5
Netflix Inc	Internet & eCommerce	3.1
Starbucks Corp	Restaurants	3.0
Crown Castle International Corp	Communications	2.6
Visa Inc	Payments	2.5
Yum! Brands Inc	Restaurants	2.4
Pepsico Inc	Consumer Defensive	2.3
SAP SE	Information Technology	2.3
<b>TOTAL:</b>		<b>29.9</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 read and consider any relevant offer documentation applicable to any investment product or service and consider obtaining professional investment advice tailored to your specific circumstances before making any investment decision. A copy of the relevant PDS relating to a Magellan financial product or service 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, that the Support Trust will provide income support, that the target cash distribution will be met or that the Target Monthly Income will be achieved. 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). 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.

## Market Commentary

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Global stocks ended the September quarter almost unchanged to end a run of nine rising quarters in 10. Stocks reached record highs over the first two months of the quarter after the Federal Reserve said it wouldn't overreact to higher inflation readings, US companies delivered better-than-expected earnings reports for the second quarter, and the eurozone and Japanese economies returned to growth. But these gains eroded in September after inflation concerns grew, rising interest rates reduced the value of future profits, Congress failed to lift the US debt ceiling or pass more stimulus, worries emerged about China's economy, energy prices soared in Europe and covid-19 infections rose worldwide. During the quarter, seven of the 11 sectors fell in US-dollar terms. Materials (-5.0%) fell the most on China concerns while financials (+2.1%) rose most as higher interest rates helped bank margins. The Morgan Stanley Capital International World Index fell 0.01% in US dollars and 3.9% in Australian currency.

US stocks edged up as investors baked in expectations that monetary policy would stay loose for a while yet. In a key speech in August, Fed chairman Jerome Powell emphasised that rate increases were a long way off and the central bank was conscious of the economic hit stemming from surging delta cases. In September, however, Powell said inflation might last longer than thought and that while the central bank is unlikely to hike rates anytime soon it might announce plans to taper "soon". On the fiscal side, the House of Representatives failed to pass President Joe Biden's US\$4.5 trillion agenda as Democrats squabbled though Congress passed a measure that kept the US government funded until December 3. Republicans in the Senate blocked moves to raise the US debt ceiling and thus kept alive the possibility the US could default, insisting Democrats had the numbers to lift the ceiling through the budget-reconciliation process. A boost for stocks was that almost 90% of companies beat expectations for the second quarter, the highest percentage of 'beats' since Refinitiv began keeping such records in 1994. Backing the Fed's view, investors regarded reports that showed consumer prices rising at a pace of about 5.3% in the 12 months to August as most likely driven by temporary supply constraints. The S&P 500 Index added 0.2%.

European stocks fell as German inflation notched a 29-year high when it reached 4.1% in the 12 months to September (while eurozone inflation stood at 3.0% in the 12 months to August), business confidence dropped and a fresh wave of covid-19 infections threatened. In better economic news, a report showed the euro area's economy expanded a revised 2.2% in the June quarter, after shrinking 0.3% in the previous three months. In political news, Germany's left-leaning Social Democrats won the greatest voting share in the general election and looked to be in the stronger position to form a coalition government with party leader Olaf Scholz as chancellor. The Euro Stoxx 50 Index eased 0.4%.

Japan's Nikkei 225 Index added 2.3% after the economy expanded a faster-than-expected 0.5% in the second quarter, after contracting in the previous three months, as Fumio Kishida became prime minister after Yoshihide Suga quit unexpectedly. China's CSI 300 Index slumped 6.8% as property developer Evergrande threatened to default, the delta variant spread, key indicators showed the economy is slowing,

producer prices reached their highest since 2008, and regulators homed in on technology companies. Australia's S&P/ASX 200 Accumulation Index rose 1.7% as companies reported healthy earnings for the period to June 30 and an end loomed for the Melbourne and Sydney lockdowns. The MSCI Emerging Markets Index dived 8.8% in US dollars as China's economy slowed and Brazil's central bank raised the key rate to 6.25% from 2% at the start of the year and signalled another increase of 100 basis points in October to slow surging inflation.

## Portfolio Commentary

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The two underlying strategies recorded positive returns for the quarter. With the Global Plus strategy, the biggest contributors were the investments in Netflix, Alphabet and Microsoft. Netflix gained after its 19% jump in revenue from a year earlier to US\$7.3 billion highlighted its success, some of its new titles proved popular, and in anticipation of the release of new seasons of popular shows in the coming months that had been delayed due to covid-19. Alphabet surged after the parent of Google posted a higher-than-expected profit of US\$21.7 billion in the June quarter after online advertising rebounded. Microsoft beat expectations when the software giant reported revenue of US\$46 billion for the June quarter, an increase of 21% on a year earlier, and CEO Satya Nadella said the performance showed the jump in tech spending since the pandemic began was not a one-off but indicated that businesses were digitising their operations.

For the Core infrastructure strategy, the stocks that contributed the most included the investments in Sydney Airport, AusNet Services and Aena of Spain. Sydney Airport surged following a A\$24 billion takeover offer from a consortium led by the infrastructure manager IFM. AusNet soared on news that Canadian asset manager, Brookfield Asset Management, and Australian gas-pipeline operator, APA Group, were engaged in a battle to acquire the owner of Victoria's transmission grid. Aena, the world's largest airport operator, gained as countries relaxed pandemic restrictions that inhibit travel.

## Reserve Strategy

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The monthly distribution for the end of June 2021 was 2.03 cents per unit. On July 28, the Australian Bureau of Statistics said the consumer price index rose by 0.8% in the June quarter. As such, at the end of August 2021, the **FuturePay** distribution was increased by this amount to 2.05 cents per unit.

The **FuturePay** Support Trust started the quarter with capital of \$1.75 million. This represented more than 29 months of distributions. In July, the Portfolio Value per unit grew by 14.15 cents per unit, which resulted in a contribution of 5.27 cents per unit into the Support Trust, representing nearly 2.6 months of distributions reserved. The August performance, however, was just slightly above inflation at 0.28 cents per unit, resulting in a small contribution to the Support Trust. Finally, the adverse market conditions in September meant that the Portfolio Value per unit fell to just below the Inflation Target so the Support Trust made a small payment of \$474

to **FuturePay**. This support payment represents 70 basis points of the distribution payment made in September.

Over the quarter, there were about \$2.2 million of net client inflows to **FuturePay**. Consequently, \$153,000 of Adequacy Contributions were made into the Support Trust, representing about 6.9% of the inflow. Magellan made a further contribution of \$77,000 to the Support Trust, representing 3.5% of the inflow.

The Support Trust finished the quarter with capital of \$2.15 million, which represents a Reserve Ratio of 12.1% and covers more than 31 months of distributions. The reserve strategy functioned as expected over the quarter.