

# Magellan Sustainable Fund (Managed Fund)

 ARSN: 645 516 187  
 APIR: MGE4669AU

Ticker: MSUF

## Fund Features

- A high conviction (20-50 securities), high quality focus, low turnover portfolio.
- Designed for capital preservation in adverse markets, whilst delivering attractive absolute risk-adjusted returns through the economic cycle.
- Portfolio construction incorporates detailed macroeconomic analyses to capture opportunities whilst mitigating risks, alongside the application of both fixed and dynamic risk limits.
- Investors can buy or sell units on Chi-X like any other listed security or apply and redeem directly with the Responsible Entity.

## Fund Facts

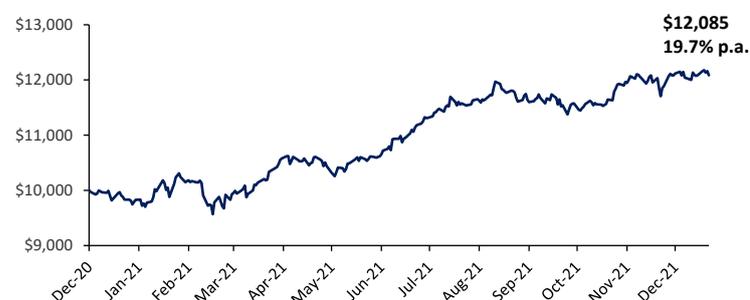
|  |   |                          |
|--|---|--------------------------|
| Portfolio Manager                                  | Domenico Giuliano   |                          |
| Structure  | Global Equity Fund, A\$ Unhedged  |                          |
| Inception Date                                     | 11 December 2020  |                          |
| Management Fee <sup>1</sup>                        | 1.35% per annum   |                          |
| Buy/Sell Spread <sup>1,2</sup>                     | 0.10%/0.10%   |                          |
| Minimum Investment Size <sup>2</sup>               | AUD\$10,000   |                          |
| Fund Size / NAV Price                              | AUD \$9.6 million / \$2.9626 per unit <sup>2</sup>  |                          |
| Distribution Frequency                             | Semi-annually   |                          |
| Performance Fee <sup>1</sup>                       | 10.0% of the excess return of the units of the Fund above the higher of the Index Relative Hurdle (MSCI World Net Total Return Index (AUD)) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). Additionally, the Performance Fees are subject to a high water mark. |                          |
| iNAV tickers                                       | <b>Solactive iNAV</b>   | <b>ICE iNAV</b>          |
| Bloomberg (MSUF AU Equity)                         | MSUFAIV   | MSUFAUIV Index           |
| Refinitive (MSUF.CHA)                              | MSUFAUDINAV=SOLA  | MSUFAUiv.P               |
| IRESS (MSUF.CXA)                                   | MSUFAUDINAV   | MSUF-AUINAV.NGIF         |
| Carbon Intensity (CO <sub>2</sub> /US\$1m revenue) | Fund: 18  | Index <sup>+</sup> : 129 |

<sup>1</sup>All fees are inclusive of the net effect of GST; <sup>2</sup>Only applicable to investors who apply for units directly with the Responsible Entity; <sup>3</sup>NAV price is cum distribution and therefore includes the distribution of \$0.05 per unit payable on 19 January 2022.

## Fund Performance\*

|                        | Fund (%) | Index (%) <sup>+</sup> | Excess (%) |
|------------------------|----------|------------------------|------------|
| 1 Month                | 2.0      | 1.7                    | 0.3        |
| 3 Months               | 4.9      | 7.1                    | -2.2       |
| 1 Year                 | 22.3     | 29.3                   | -7.0       |
| Since Inception (p.a.) | 19.7     | 27.3                   | -7.6       |

## Performance Chart growth of AUD \$10,000\*



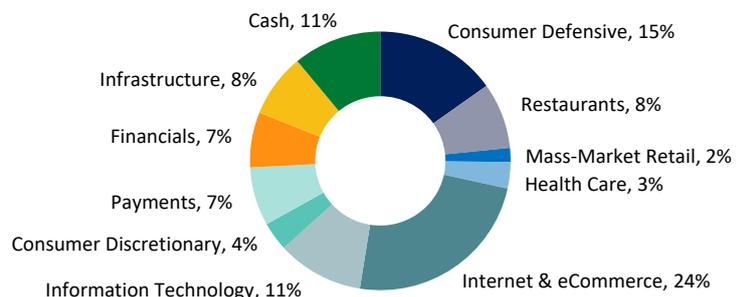
## Environmental, Social, Governance and Low Carbon

- Integrated proprietary ESG risk assessment process and low carbon framework.
- Companies with material exposures to businesses considered detrimental to society or environment are removed from the universe, including exposures to tobacco, alcohol, gambling, adult entertainment and weapons, amongst other exposures as determined from time to time by Magellan.
- Companies are reviewed for the materiality of their exposures to environmental, social and governance issues, with assessments incorporated into our perspectives on business risks.
- We overlay our proprietary Low Carbon framework to deliver a portfolio with much lower carbon risk exposure than world markets.

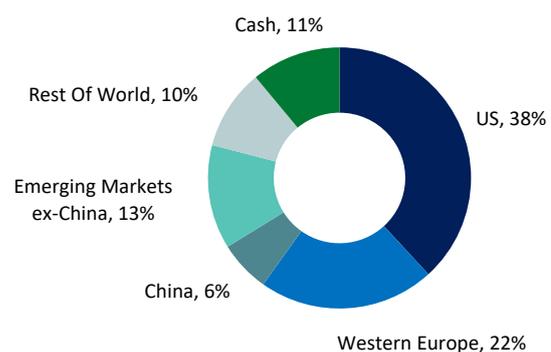
## Top 10 Holdings

|                           | Sector <sup>#</sup>    | %           |
|---------------------------|------------------------|-------------|
| Microsoft Corporation     | Information Technology | 7.7         |
| Alphabet Inc              | Internet & eCommerce   | 7.5         |
| Meta Platforms Inc        | Internet & eCommerce   | 6.2         |
| McDonald's Corporation    | Restaurants            | 4.4         |
| Netflix Inc               | Internet & eCommerce   | 4.3         |
| Visa Inc                  | Payments               | 4.1         |
| Yum! Brands Inc           | Restaurants            | 3.9         |
| Nestle SA                 | Consumer Defensive     | 3.5         |
| Alibaba Group Holding Ltd | Internet & eCommerce   | 3.4         |
| Reckitt Benckiser Group   | Consumer Defensive     | 3.3         |
| <b>TOTAL:</b>             |                        | <b>48.3</b> |

## Sector Exposure by Source of Revenue<sup>#</sup>



## Geographical Exposure by Source of Revenue<sup>#</sup>



\* Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Fund Inception 11 December 2020. Returns denoted in AUD.

<sup>+</sup> Benchmark is the MSCI World NTR Index (AUD).

<sup>#</sup> Sectors are internally defined. Geographical exposure is calculated on a look through basis based on underlying revenue exposure of individual companies held within the portfolio. Exposures may not sum to 100% due to rounding.

## 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.

*Index movements are in local currency terms.*

## Fund Commentary

---

The portfolio recorded a positive return in the quarter. The biggest contributors included the investments in Microsoft, Lowe's and Alphabet. Microsoft surged on a 22% jump in revenue for the third quarter as its cloud business benefited from the global shift to remote work. Lowe's gained after the home-improvement chain announced a recovery to same-store growth in the September quarter (of 3%), following a decline in the previous three months, and boosted its share buyback by US\$3 billion. Alphabet rose after the owner of Google enjoyed its highest sales growth in 14 years – a jump of 41% to US\$65.1 billion – and nearly doubled its profit in the third quarter as businesses chased consumers whose purchases shifted online during another spate of covid-19 infections.

The biggest detractors were the investments in Alibaba Group and Aena of Spain. Alibaba dropped after the Chinese tech company announced sales figures that disappointed for a second straight quarter and lowered its fiscal outlook for 2022, which fanned concerns about slowing consumer spending in China. Still, Alibaba announced a 29% rise in revenue for the September quarter and forecast 20% to 23% growth in fiscal 2022 revenue, rather than the 27% analysts were expecting. Aena, the world's largest operator of airports, fell as the new covid-19 variant disrupted travel plans.

*Stock contributors/detractors are based in local currency terms unless stated otherwise.*

**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 is issued by Magellan and 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.magellangroup.com.au](http://www.magellangroup.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. 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.magellangroup.com.au](http://www.magellangroup.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. MSUF44561