

# Magellan Sustainable Fund (Managed Fund)

ARSN: 645 516 187  
APIR: MGE8722AU

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 \$8.9 million / \$2.8246 per unit	
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> t/US\$1m revenue) <sup>3</sup>	Fund: 19	Index*: 131

<sup>1</sup>All fees are inclusive of the net effect of GST;

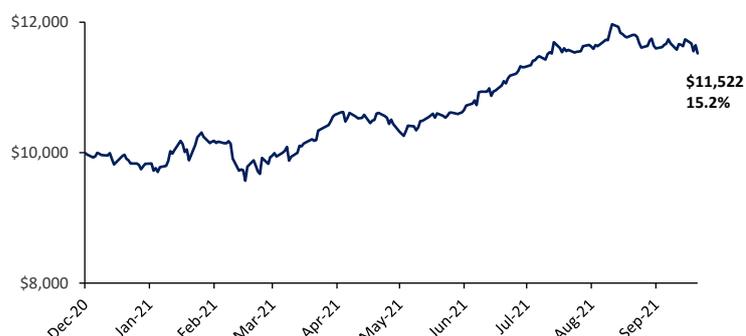
<sup>2</sup>Only applicable to investors who apply for units directly with the Responsible Entity

<sup>3</sup>As at 30 September 2021. Carbon intensity data available on a quarterly basis. Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission.

## Fund Performance\*

	Fund (%)	Index (%) <sup>+</sup>	Excess (%)
1 Month	-2.4	-3.0	0.6
3 Months	4.2	3.9	0.3
Since Inception	15.2	20.4	-5.2

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



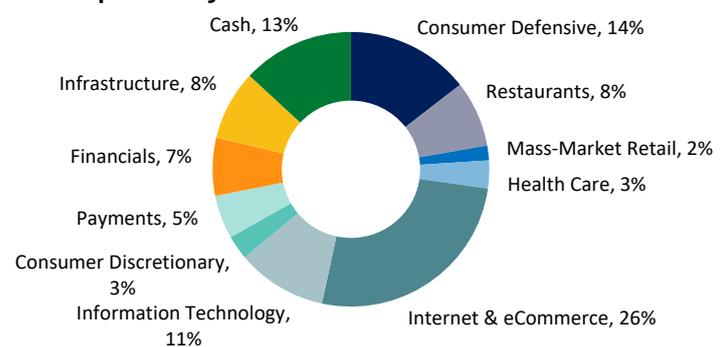
## Environmental, Social, Governance and Low Carbon

- 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.

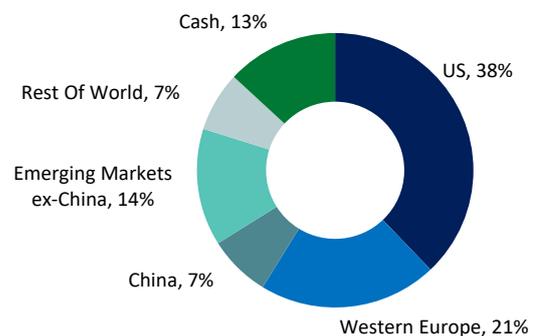
## Top 10 Holdings

	Sector <sup>#</sup>	%
Alphabet Inc	Internet & eCommerce	7.5
Microsoft Corporation	Information Technology	7.5
Facebook Inc	Internet & eCommerce	6.5
Netflix Inc	Internet & eCommerce	4.6
McDonald's Corporation	Restaurants	4.1
Alibaba Group Holding Ltd	Internet & eCommerce	3.8
Yum! Brands Inc	Restaurants	3.6
US Bancorp	Financials	3.3
Reckitt Benckiser Group	Consumer Defensive	3.3
Novartis AG	Health Care	3.3
TOTAL:		47.5

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



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



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

\* 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.

## 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 premium on 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 gained 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.

*Index movements are in local currency terms.*

## Fund Commentary

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The portfolio recorded a positive return for the quarter. The biggest contributors were the investments in Sydney Airport, Chipotle Mexican Grill and Netflix. Sydney Airport surged on a takeover offer of A\$24 billion from a consortium led by the infrastructure manager IFM. Chipotle rallied after higher-than-expected revenue and restaurant margins and a lower tax rate meant the restaurant chain's June-quarter profit beat analyst estimates. Netflix gained after its 19% jump in revenue from a year earlier to US\$7.3 billion highlighted its success and a resurgence in covid-19 infections made it more likely that people would extend their binge-watching.

The biggest detractors were the investments in Alibaba Group, Tencent Holdings and Novartis. Alibaba dropped after Chinese authorities cracked down on tech with a focus on antitrust and security issues. Tencent slumped amid this crackdown that restricts gaming by children and saw the cyber-regulator fine the company for sexually suggestive content while antitrust authorities fined Tencent for unfair practices and ordered the company to end exclusive music-licensing deals. Novartis of Switzerland fell as the Democrats toyed with introducing legislation that would have allowed the government to better bargain against pharmaceutical companies to lower the costs of medicines.

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

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