

Magellan Sustainable Fund (Managed Fund)



TICKER: MSUF | APIR: MGE4669AU | ARSN: 645 516 187

AS AT 31 OCTOBER 2023

PORTFOLIO MANAGER

ALAN PULLEN

INVESTMENT PHILOSOPHY

To invest in outstanding companies at attractive prices within a framework that considers environmental, social and governance risks and delivers very low carbon exposure, while exercising a deep understanding of the macroeconomic environment to manage investment risk.

OBJECTIVES

To achieve attractive risk-adjusted returns over the medium to long-term while reducing the risk of permanent capital loss. This incorporates consideration of environmental, social and governance risks and the application of a proprietary low carbon framework.

PORTFOLIO CONSTRUCTION

High conviction (20 - 50 securities), with high quality focus. Integration of ESG screens and risk assessment together with a proprietary low carbon framework overlay. Typical cash and cash equivalents exposure between 0 - 20%.

INVESTMENT RISKS

All investments carry risk. While it is not possible to identify every risk relevant to an investment in the fund, we have provided details of risks in the Product Disclosure Statement. You can view the PDS for the fund on Magellan's website www.magellangroup.com.au.

ENVIRONMENTAL, SOCIAL, GOVERNANCE AND LOW CARBON

The fund excludes companies whose activities, as assessed by Magellan, may have wide-ranging detrimental impacts on society. These exclusions encompass companies with material exposures to the production of tobacco products, gambling, as well as companies involved in the production of alcohol, adult entertainment and handguns. Materiality is normally assessed as greater than 10% of a company's revenues exposed to the exclusionary activity. Revenues are sourced from MSCI ESG Manager.

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 meaningfully lower carbon intensity than broader equity markets.

MAGELLAN SUSTAINABLE FUND (MANAGED FUND): KEY PORTFOLIO INFORMATION

TICKER	FUND SIZE	BUY/SELL SPREAD ¹	MANAGEMENT AND PERFORMANCE FEES ²	INCEPTION DATE
MSUF	AUD \$7.4 million	0.07% / 0.07%	1.37% p.a. and performance fee of 10% of dual hurdle excess return ³	11 December 2020

¹ 10.0% of the excess return of the units of the Fund above the higher of the Index Relative Hurdle (MSCI World NTR 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.

PERFORMANCE³

	1 MONTH (%)	3 MONTHS (%)	6 MONTHS (%)	1 YEAR (%)	2 YEARS (% p.a.)	Since Inception (% p.a.)
MSUF	1.6	-1.3	2.4	18.2	2.6	7.3
MSCI World NTR Index (AUD)*	-1.0	-3.5	2.7	11.6	3.4	9.7
Excess	2.6	2.2	-0.3	6.6	-0.8	-2.4

CALENDAR YEAR RETURNS	CYTD (%)	2022 (%)	2021 (%)	2020 (part year)
MSUF	22.5	-17.1	22.3	-1.2
MSCI World NTR Index (AUD)*	15.5	-12.2	29.3	-0.3
Excess	7.0	-4.9	-7.0	-0.9

Past performance is not a reliable indicator of future performance.

PERFORMANCE CHART GROWTH OF AUD \$10,000³



30 September 2023 [#]	FUND	INDEX*
CARBON INTENSITY (CO ₂ T/US\$1M REVENUE)	27	113

[#] Carbon intensity data available on a quarterly basis. Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission. The Fund's carbon intensity score is calculated using MSCI data. In a limited number of circumstances, where data is not available or Magellan deems it appropriate, manual adjustments are made to the MSCI carbon intensity score for certain investments held by the fund.

Past performance is not a reliable indicator of future performance.

¹ Only applicable to investors who apply for units directly with the Responsible Entity.

² Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.

³ 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). Returns denoted in AUD.

* MSCI World Net Total Return Index (AUD). All MSCI data used is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI and its affiliates assume no liability for or in connection with the data. Please see complete disclaimer in www.magellangroup.com.au/funds/benchmark-information/

TOP 10 HOLDINGS (ALPHABETICAL ORDER)

STOCK	SECTOR ⁴
Alphabet Inc	Internet & eCommerce
Amazon.com Inc	Internet & eCommerce
American Tower Corporation	Infrastructure
Dollar General Corporation	Mass-Market Retail
Intercontinental Exchange Inc	Financials
MasterCard Inc	Payments
Meta Platforms Inc	Internet & eCommerce
Microsoft Corporation	Information Technology
Nestlé SA	Consumer Defensive
SAP SE	Information Technology

TOP CONTRIBUTORS/DETRACTORS 1 YEAR⁵

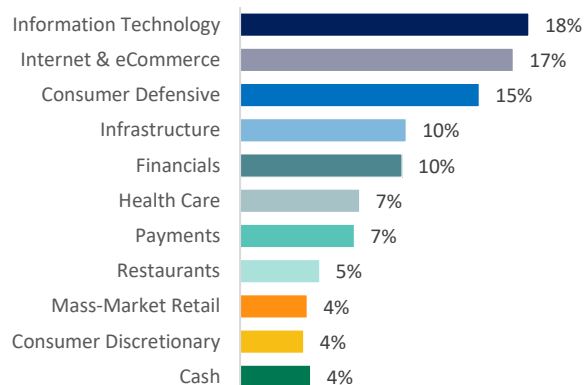
TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Meta Platforms Inc	6.3
Microsoft Corporation	3.1
Alphabet	2.2
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
Dollar General Corporation	-1.6
US Bancorp	-0.9
Eversource Energy	-0.8

MONTHLY SUMMARY

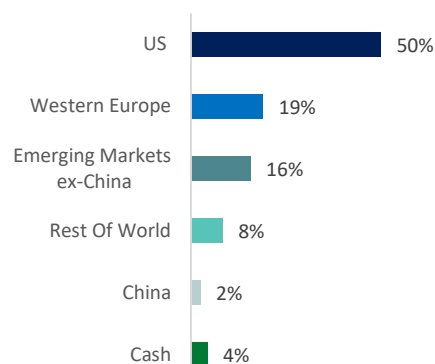
Higher 10-year bond yields continued to affect equity markets over the quarter. We believe the recent increase in rates is mainly cyclical in nature, reflecting central banks' current inflation-fighting stance and quantitative tightening rather than reflecting a structural increase in the long-term interest rate environment. Consequently, we believe that higher rates are unlikely to prove a structural headwind to equities markets on a forward-looking basis. A soft landing remains our base case and recent economic data has mostly been constructive, although a more severe downturn in 2024 cannot be ruled out given the cumulative impact of tightening monetary policy. Consequently, we retain a balanced stance within the portfolio.

We have confidence that, should major economies enter a recession in the coming 12 months, the portfolio is well positioned. This reflects the downside protection built into the portfolio construction process as well as the high-quality companies held in the strategy. Notwithstanding potential macroeconomic risks, portfolio companies are generally performing well, growing revenue and earnings at attractive rates and generating significant levels of free cash flow. Valuations are full, but far from extreme, and our forecasts are currently indicative of total shareholder returns over the next three years exceeding our objective (although of course this cannot be guaranteed).

SECTOR EXPOSURE BY SOURCE OF REVENUE⁴



GEOGRAPHICAL EXPOSURE BY SOURCE OF REVENUE⁴



⁴ 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.

⁵ Shows how much the stock has contributed to the fund's gross return for the period in AUD. Excludes non-disclosed positions established in the latest quarter.

IMPORTANT INFORMATION

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