

Magellan Financial Group Limited Half Year Results

For the half year ended 31 December 2018

Brett Cairns | CEO



Magellan Financial Group Interim Results

\$ million	31 Dec 2018	31 Dec 2017	% change
Management and services fees	228.1	178.9	28%
Performance fees	42.7	9.6	346%
Other revenue	5.6	7.3	(23)%
Adjusted revenue	276.4	195.8	41%
Adjusted expenses	(49.3)	(53.0)	(7%)
Adjusted net profit before tax	227.1	142.7	59%
Adjusted net profit after tax	176.3	109.2	62%
MGG net offer costs (after tax)	-	(55.7)	
Amortisation expense of intangible assets	(2.2)	n/a	
Net unrealised change in fair value of financial assets (after tax)	(0.6)	n/a	
Net profit after tax	173.5	53.5	225%
Key statistics			
Diluted EPS (cents per share)	98.2	31.0	217%
Adjusted diluted EPS (cents per share)	99.8	63.4	57%
Interim Dividend (cents per share)	73.8	44.5	66%

Adjusted financials measures are adjusted for non-cash (amortisation expense and unrealised gains/losses) and one-off items (Magellan Global Trust net offer costs)

Interim Highlights

- Strong growth in funds under management and management and services fees:
 - Average funds under management up 35% to \$72.1 billion¹
 - Management and services fee revenue up 28% to \$228.1 million¹
 - Profit before tax and performance fees of the Funds Management business up 41% to \$182.3 million¹
- Adjusted Group profit after tax grew by 62% to \$176.3 million
- Strong performance of our global equity and infrastructure strategies in volatile markets

1. Percentage change relative to six month period ended 31 December 2017.

Tax and Dividends

- Effective tax rate for the 6 months to 31 December 2018 is 22.6% (Offshore Banking Unit)
- Dividends:
 - Interim dividend up 66% to 73.8 cents per share (75% franked)
 - Pay dividends promptly – 28 February 2019 (Interim Dividend)
 - Dividend policy¹:
 - Interim and Final dividends based on 90%-95% of profit of funds management segment (excluding crystallised performance fees)
 - Annual Performance Fee Dividend of 90%-95% of net crystallised performance fees after tax

1. Subject to corporate, legal and regulatory considerations.

2019 Expenses

- Total Group expenses (ex non-cash amortisation and Magellan Global Trust Unit Purchase Plan) to be approximately \$105 million in the 2019 financial year (\$101 million for FY2018)
- Cost of funding Magellan Global Trust Unit Purchase Plan 5% discount:
 - Investment in the growth of the Magellan Global Trust
 - Funding requirement will depend on take-up (theoretical maximum of ~\$25 million)
- Non-cash amortisation is expected to be approximately \$4.7 million in the 2019 financial year

Funds Management Business

\$ million	31 Dec 2018	31 Dec 2017	% change
Revenue			
Management fees	225.8	176.6	28%
Performance fees	42.7	9.6	346%
Services fees	2.4	2.4	0%
Interest/other income	2.4	0.5	363%
	273.2	189.0	45%
Expenses			
Employee expense	30.9	25.4	22%
Marketing expense	1.8	6.7	(73%)
Other expense	15.5	18.4	(15%)
	48.2	50.5	(4%)
Profit before tax	225.0	138.5	62%
Profit before tax and before performance fees¹	182.3	129.0	41%

Key Statistics

	31 Dec 2018	31 Dec 2017	% change
Average Funds Under Management (\$ billion)	72.1	53.6	35%
Average AUD/USD exchange rate	0.72	0.78	(7%)
Avg. number of employees	125	106	18%
Employee expense/total expense	64.0%	50.2%	
Cost/Income	17.7%	26.7%	
Cost/Income (excl performance fees) ¹	20.9%	28.1%	

1. Adjusts for the current period performance fee impact on revenue and expenses for the six month period.

Funds Under Management Summary

	31 Dec 2018	30 June 2018	31 Dec 2017
\$ million			
Retail	19,027	19,182	18,026
Institutional			
- Australia/New Zealand	11,511	11,680	5,054
- North America	13,845	13,596	12,560
- UK	21,623	20,804	18,312
- Rest of World	4,776	4,247	3,918
	51,755	50,327	39,844
Total FUM	70,782	69,509	57,870
%			
Retail	27%	28%	31%
Institutional			
- Australia/New Zealand	16%	17%	9%
- North America	20%	19%	22%
- UK	30%	30%	31%
- Rest of World	7%	6%	7%
	73%	72%	69%
Total FUM	100%	100%	100%
Breakdown of Funds Under Management (\$ million)			
- Global Equities	52,451	52,655	48,195
- Global Listed Infrastructure	11,980	10,320	9,675
- Australian Equities	6,351	6,534	-
Average Base Management fee (bps) per annum (excl Perf Fee)	63	65	66
FUM subject to Performance Fees (%)	34%	34%	39%

Investment Performance

For the periods to 31 December 2018

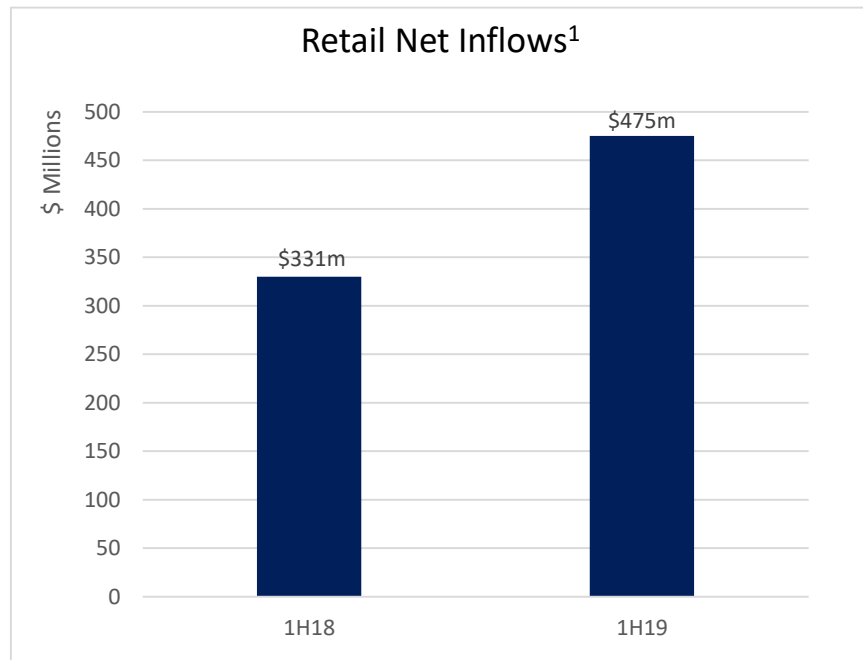
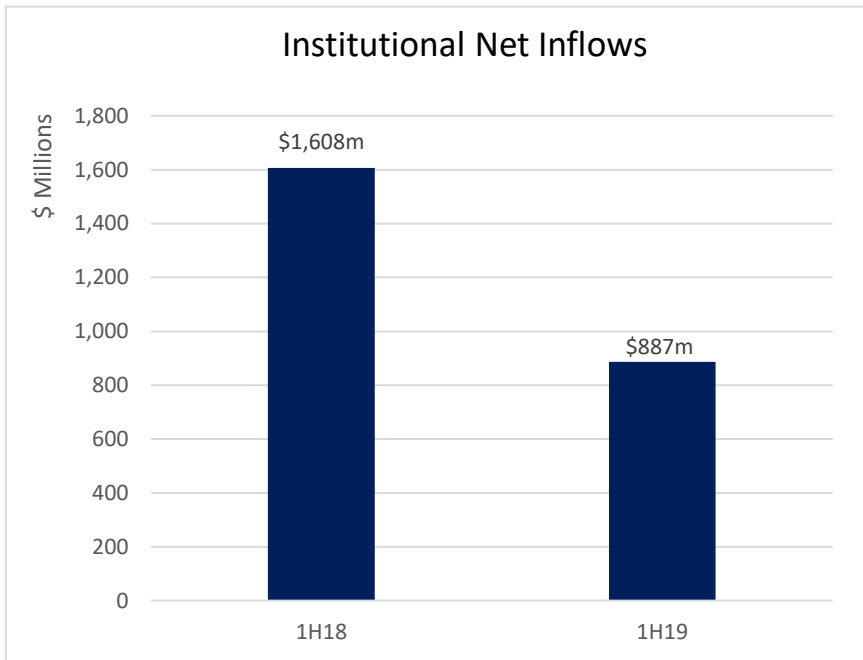
	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.) ¹
Magellan Global Fund	9.8	9.2	11.4	11.2
MSCI World NTR Index (\$A)	1.4	7.5	9.7	5.2
Magellan Infrastructure Fund	-0.4	7.7	11.1	7.8
Global Listed Infrastructure Benchmark (\$A) ²	-6.7	6.8	7.2	4.8
Magellan High Conviction Strategy	3.4	9.7	12.4	18.2
Airlie Australian Share Fund	-	-	-	-6.3
S&P/ASX 200 Accum. Index	-	-	-	-3.8

1. Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007, the Magellan High Conviction Strategy is 1 January 2013 and the Airlie Australian Share Fund is 1 June 2018.

2. The Global Listed Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure and Utilities NTR Index (AUD Hedged) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (AUD Hedged).

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). Source: MSCI, UBS, S&P, Bloomberg, Magellan Asset Management Limited.

1H19 FUM Flows

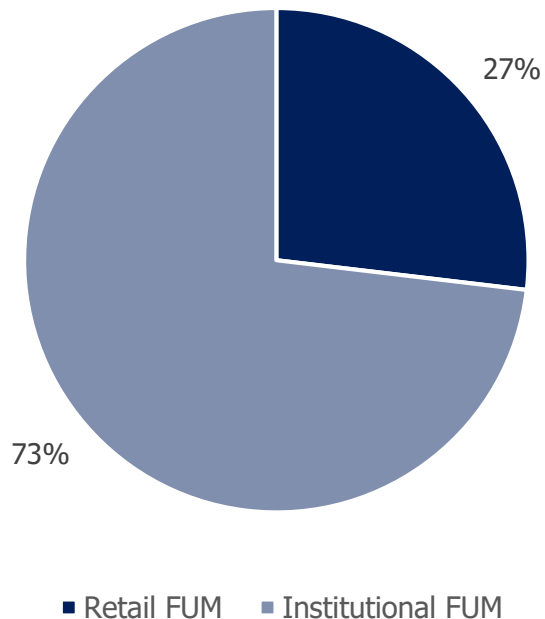


Total net inflows for the 6 months ended 31 December 2018: \$1.4 billion

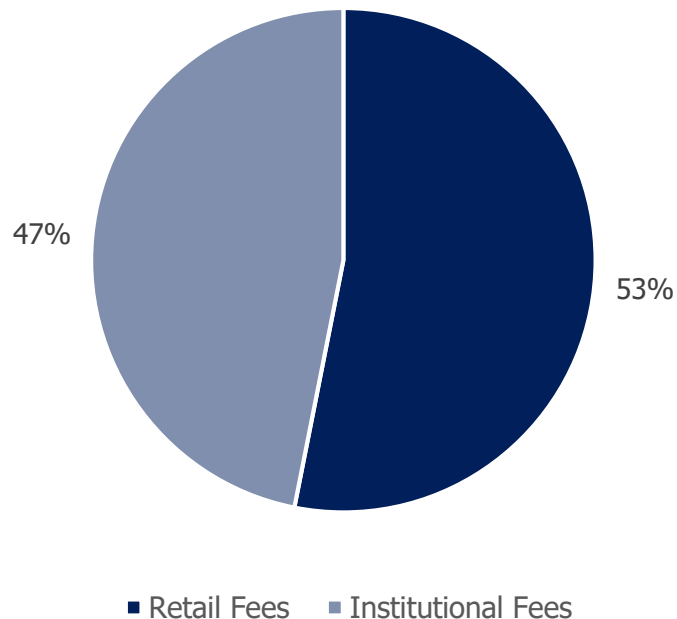
1. Excludes the proceeds of the Magellan Global Trust IPO

Well-balanced Business

Funds Under Management¹



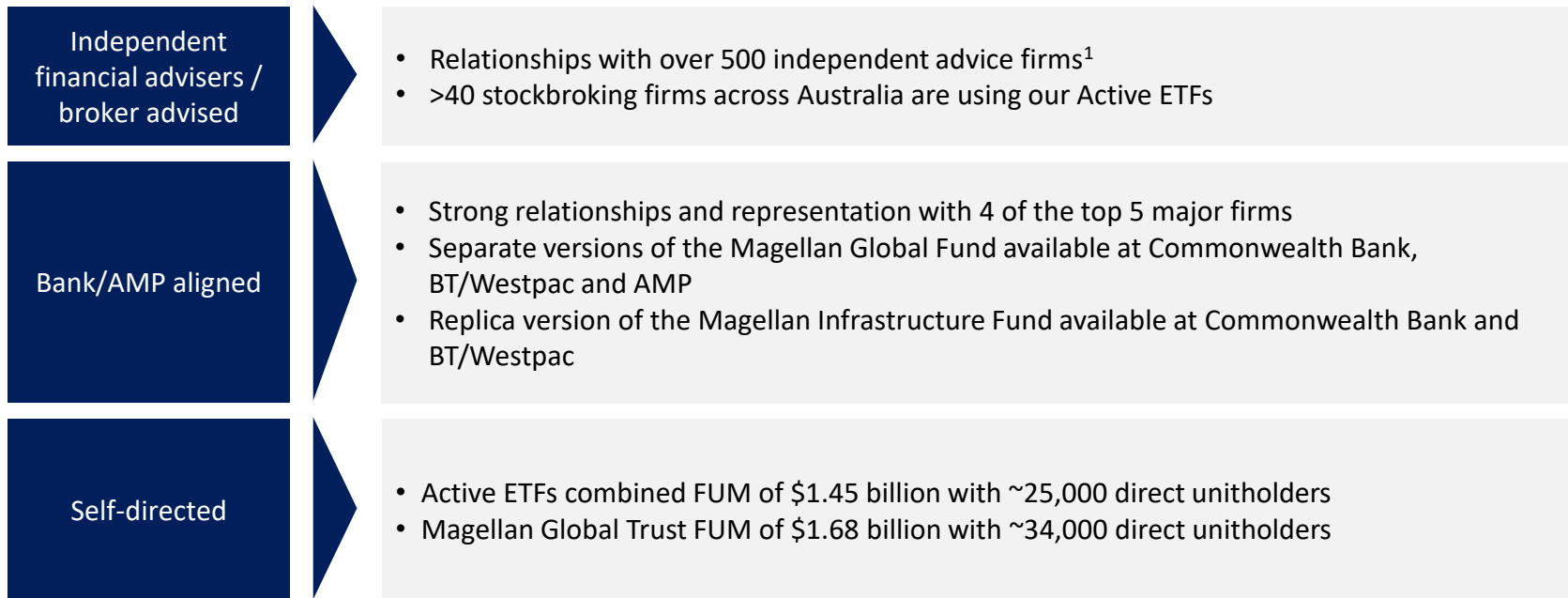
Base Fees²



1. FUM split is as at 31 December 2018.

2. Base Fees are Management and Services fees for the six months to 31 December 2018 and exclude Performance fees.

Retail Business – Three Channels to Market

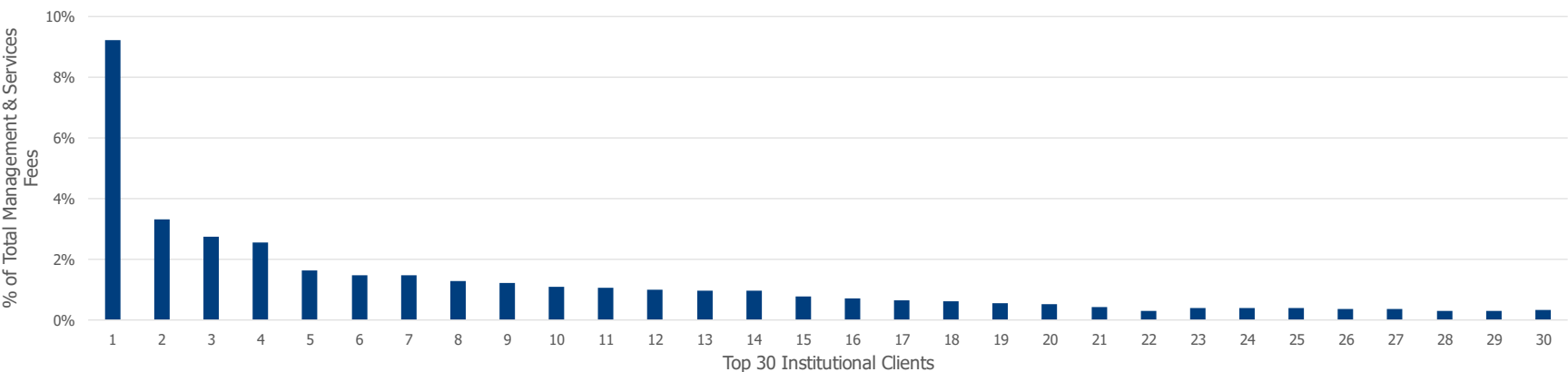


1. Includes dealer groups that have more than \$200,000 funds under management with Magellan.

Magellan Global Trust Unit Purchase Plan

- Announced 29 January 2019
- Opportunity for eligible Magellan Global Trust investors to subscribe for up to \$15,000 additional units at a 5% discount to NAV without brokerage costs
- Offer opened 6 February 2019 and closes 6 March 2019
- Magellan to pay the 5% discount
 - Consistent with our partnership approach
 - Growth in the fund improves the trading efficiency in the secondary market
 - Important access point of scale for investors

Institutional Client Diversity



Cumulative Total Management and Services Fees				
Top Institutional Clients	5	10	20	30
%	19	26	34	37

Management and Services fees for the six months to 31 December 2018 for separately managed accounts and institutional investors in local and offshore vehicles. Excludes Performance fees.

New FUM opportunities



1. Morningstar Direct, July 2018 for active, large-cap Australian equities managed funds

Principal Investments

- Principal Investments include investments in Magellan Funds, listed shares, a small number of unlisted investments and surplus cash after allowing for the Group's working capital requirements

Investment (\$ million)	31 December 2018	30 June 2018
Cash	0.4	0.4
Magellan Unlisted Funds ¹	185.9	173.4
Listed shares/funds ²	103.7	100.9
Other ³	0.2	15.1
Total	290.2	289.8
Net deferred tax ⁴	(9.2)	(9.4)
Net principal investments	281.0	280.4
Net principal investments per share (cents) ⁵	158.7	159.1

1. Magellan Unlisted Funds includes the Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan High Conviction Fund Class B, the Frontier MFG Funds, Magellan Wholesale Plus Global Fund and Magellan Wholesale Plus Infrastructure Fund; 2. Listed shares/funds include Global Sustainable Portfolio, Sustainable (US) Portfolio, Magellan Global Equities Fund, Magellan Global Equities Fund (Currency Hedged), Magellan Infrastructure Fund (Currency Hedged) and Magellan Global Trust excluding receivables/payables (refer to footnote 3); 3. "Other" comprises receivable/payables and unlisted funds and shares; 4. Net deferred tax liability arising from changes in the fair value of financial assets offset by the deferred tax asset relating to the unused tax loss arising on issuance of loyalty units to unitholders under the Magellan Global Trust priority offer; 5. Based on the aggregate of 177,087,458 ordinary shares on issue at 31 December 2018 (30 June 2018, it is based on 176,211,167 ordinary shares).

Principal Investments (cont.)

- Board has set a pre-tax hurdle 10% p.a. (over business cycle) for the Principal Investments portfolio

Investment Returns:

Time Period	Return
1 Year to 31 December 2018	7.4%
3 Years to 31 December 2018 p.a.	9.0%
5 Years to 31 December 2018 p.a.	11.6%
Since Inception to 31 December 2018 p.a. ¹	10.8%

1. Return excludes investment in MFF Capital Investments Limited.

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