

Magellan Financial Group Limited Half Year Results

For the half year ended 31 December 2019



Magellan Financial Group Interim Results

\$ million	31 Dec 2019	31 Dec 2018	% change
Management and services fees	288.2	228.1	26%
Performance fees	41.7	42.7	(2%)
Other revenue	7.1	5.6	27%
Adjusted revenue	337.0	276.4	22%
Adjusted expenses	(56.0)	(49.3)	14%
Adjusted net profit before tax	281.0	227.1	24%
Adjusted net profit after tax	216.8	176.3	23%
Transaction costs related to strategic initiatives (after tax)	(37.7)	-	n/m
Amortisation expense of intangible assets	(2.3)	(2.2)	n/m
Net unrealised change in fair value of financial assets and liabilities (after tax)	18.9	(0.6)	n/m
Net profit after tax	195.7	173.5	13%
Key statistics			
Diluted EPS (cents per share)	108.2	98.2	10%
Adjusted diluted EPS (cents per share)	119.9	99.8	20%
Interim Dividend (cents per share)	92.9	73.8	26%
Franking	75%	75%	

Adjusted financial measures are adjusted for non-cash items (amortisation expense and unrealised gains/losses) and transaction costs related to strategic initiatives (DRP discount funding costs for Magellan Global Trust and Magellan High Conviction Trust and net transaction costs relating to the Magellan High Conviction Trust IPO) for the half year ended 31 December 2019.

Interim Highlights

- Strong growth in:
 - Average funds under management up 29% to \$92.8 billion¹
 - Management and services fee revenue up 26% to \$288.2 million¹
 - Profit before tax of the Funds Management business up 24% to \$279.0 million¹
 - Excluding performance fees the profit before tax of the Funds Management business up 30% to \$237.4 million¹
- Adjusted net profit after tax grew by 23% to \$216.8 million¹
- Strong investment performance
- Crystallised performance fees (before tax) of \$41.7 million

1. Percentage change relative to six month period ended 31 December 2018.

Tax and Dividends

- Effective tax rate for the 6 months to 31 December 2019 is 22.3% (Offshore Banking Unit)
- Dividends:
 - Interim dividend up 26% to 92.9 cents per share (75% franked)
 - Pay dividends promptly – 27 February 2020 (Interim Dividend)
 - Dividend policy¹ :
 - Interim and Final dividends based on 90%-95% of net profit after tax of Funds Management business excluding crystallised performance fees
 - Annual Performance Fee dividend of 90%-95% of net crystallised performance fees after tax, paid alongside Final dividend

1. Subject to corporate, legal and regulatory considerations.

Expenses

- View costs associated with strategic initiatives as outside day-to-day operating expenses
 - Excluded from Funds Management business
 - Excluded from dividend payout
- Employee expenses account for ~60% of Funds Management expenses
 - Expect modest headcount increases from organic growth – scalability
- Other expenses can vary depending on FUM, foreign exchange movements, unitholder activity, etc
- Cost to income ratio (excluding performance fees) of 18.8% during the period
 - Key driver of profit is not expense movements, but FUM movements
- Expect Funds Management segment expenses in 2020 financial year to be at top end of \$115-\$120 million range, due in part to costs associated with FUM increase

Funds Management Business

\$ million	31 Dec 2019	31 Dec 2018	% change
Revenue			
Management fees	285.9	225.8	27%
Performance fees	41.7	42.7	(2%)
Services fees	2.3	2.4	(0%)
Interest/other income	4.0	2.4	65%
	333.9	273.2	22%
Expenses			
Employee expense	36.2	30.9	17%
Marketing expense	1.4	1.8	(20%)
Other expense	17.3	15.5	12%
	54.9	48.2	14%
Profit before tax	279.0	225.0	24%
Profit before tax and before performance fees¹	237.4	182.3	30%

Key Statistics

	31 Dec 2019	31 Dec 2018	% change
Average Funds Under Management (\$ billion)	92.8	72.1	29%
Average AUD/USD exchange rate	0.68	0.72	(5%)
Avg. number of employees	128	125	2%
Employee expense/total expense	65.9%	64.0%	
Cost/Income	16.4%	17.7%	
Cost/Income (excl performance fees) ¹	18.8%	20.9%	

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

Funds Under Management Summary

	31 December 2018		30 June 2019		31 December 2019	
Closing FUM (\$ billion)		%		%		%
Retail	19.0	27%	23.2	27%	26.9	28%
Institutional	51.8	73%	63.5	73%	70.6	72%
Total FUM	70.8	100%	86.7	100%	97.5	100%
Average FUM (\$ billion)						
Retail	19.5		20.4		25.0	
Institutional	52.6		55.4		67.8	
Total average FUM	72.1		75.8		92.8	
Breakdown of Closing FUM (\$ billion)		%		%		%
- Global Equities	52.5	74%	64.0	74%	71.7	74%
- Global Listed Infrastructure	12.0	17%	15.2	17%	17.6	18%
- Australian Equities	6.3	9%	7.5	9%	8.2	8%
Total FUM	70.8	100%	86.7	100%	97.5	100%
Average Base Management fee (bps) per annum (excl Perf Fee)		63		62		62
FUM subject to Performance Fees (%)		34%		33%		34%

Investment Performance

For the periods to 31 December 2019

	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.) ¹
Magellan Global Fund	28.1	17.1	13.9	12.4
MSCI World NTR Index (\$A)	27.9	13.7	12.1	6.9
Magellan Infrastructure Fund	25.5	13.6	11.6	9.2
Global Listed Infrastructure Benchmark (\$A) ²	25.3	10.2	7.6	6.3
Magellan High Conviction Fund	29.6	18.2	14.2	16.8
Airlie Australian Share Fund	24.4	-	-	10.1
S&P/ASX 200 Accum. Index	23.4	-	-	11.4

1. Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007, the Magellan High Conviction Fund is 1 July 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.

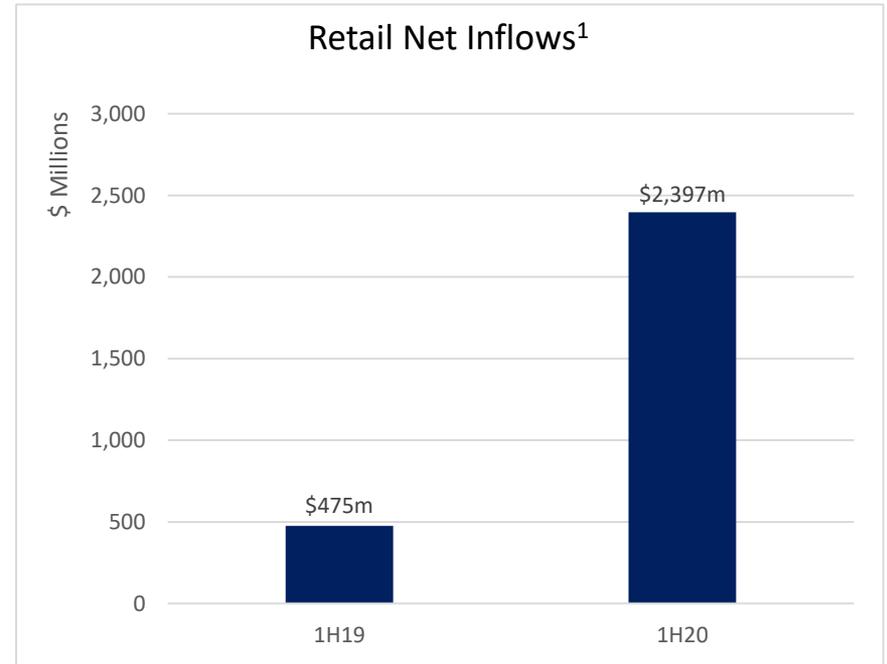
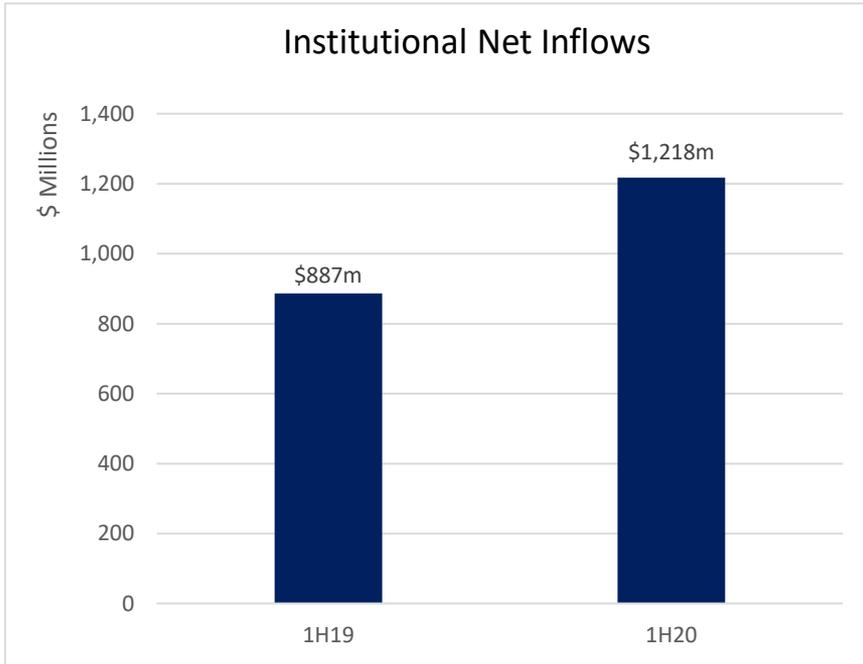
Funds Under Management

As at 31 December 2019 (\$ billion)

Strategy	30 June 2019	Net Inflows	Investment Performance	31 December 2019 ¹
Global Equities	\$64.0	\$2.5	\$5.7	\$71.7
Global Listed Infrastructure	\$15.2	\$1.1	\$1.4	\$17.6
Australian Equities	\$7.5	\$0.0	\$0.7	\$8.2
	\$86.7	\$3.6	\$7.8	\$97.5

1. Reflects \$0.6 billion of net distributions paid in July 2019 in Magellan's funds

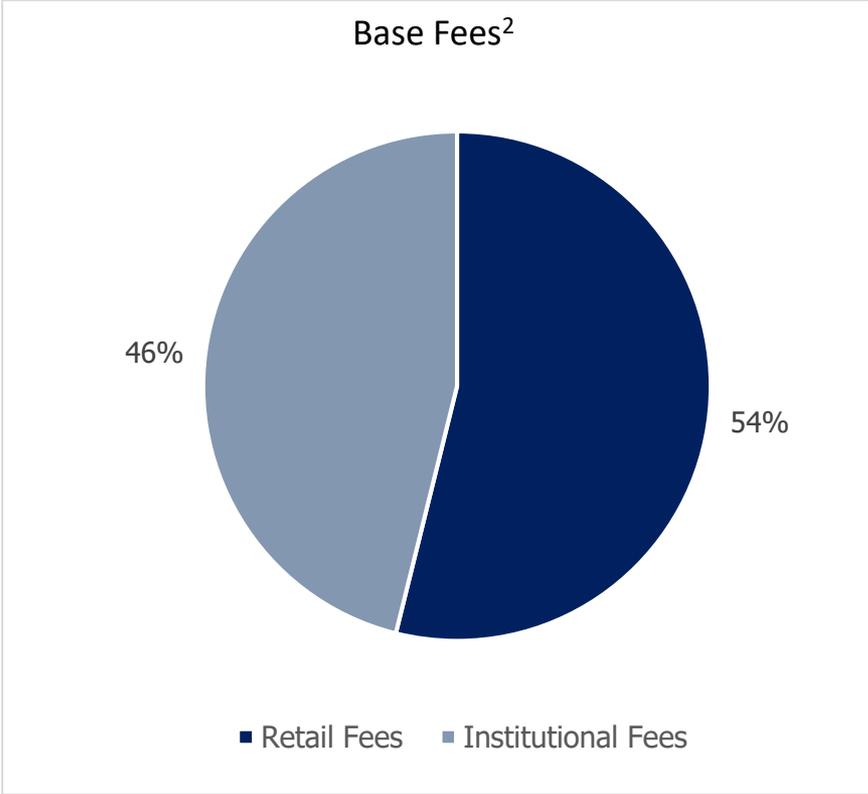
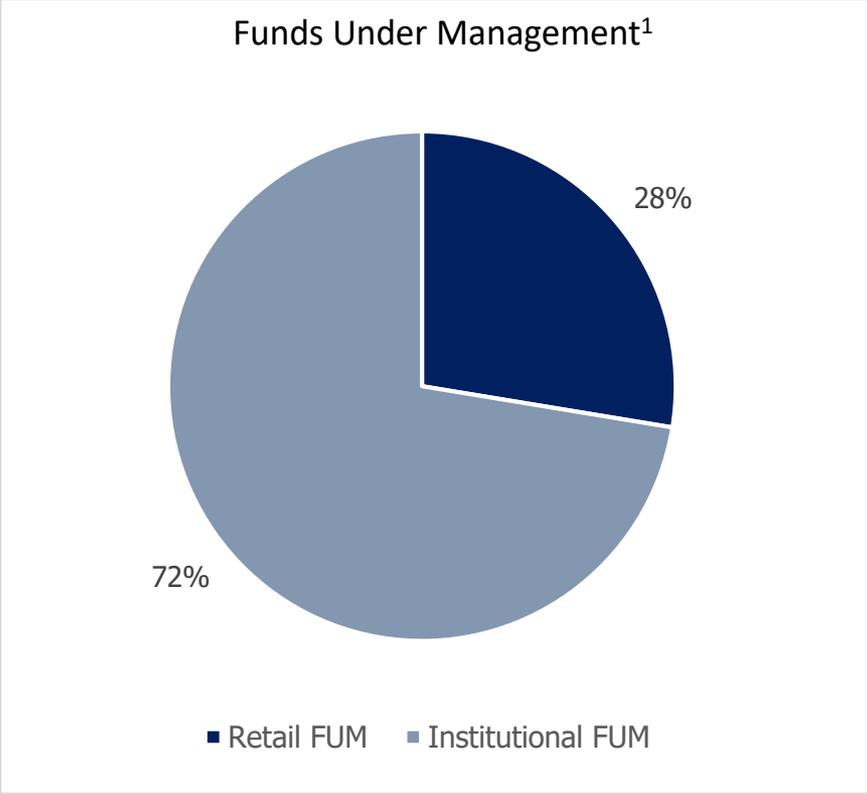
1H20 FUM Flows



Total net inflows for the 6 months ended 31 December 2019: \$3.6 billion

1. Includes the proceeds of the Magellan High Conviction Trust IPO (\$862 million) in October 2019

Well-balanced Business



1. FUM split is as at 31 December 2019.
2. Base Fees are Management and Services fees for the six months to 31 December 2019 and exclude Performance fees.

Magellan High Conviction Trust

- Raised ~\$862 million
 - Priority Offer: \$632 million
 - General Public/Wholesale Offers: \$230 million
- Approximately 17,000 registered unitholders
- Net one-off transaction costs of \$53.4 million, including Loyalty and IPO Foundation Units

Investor Partnership

Listed funds

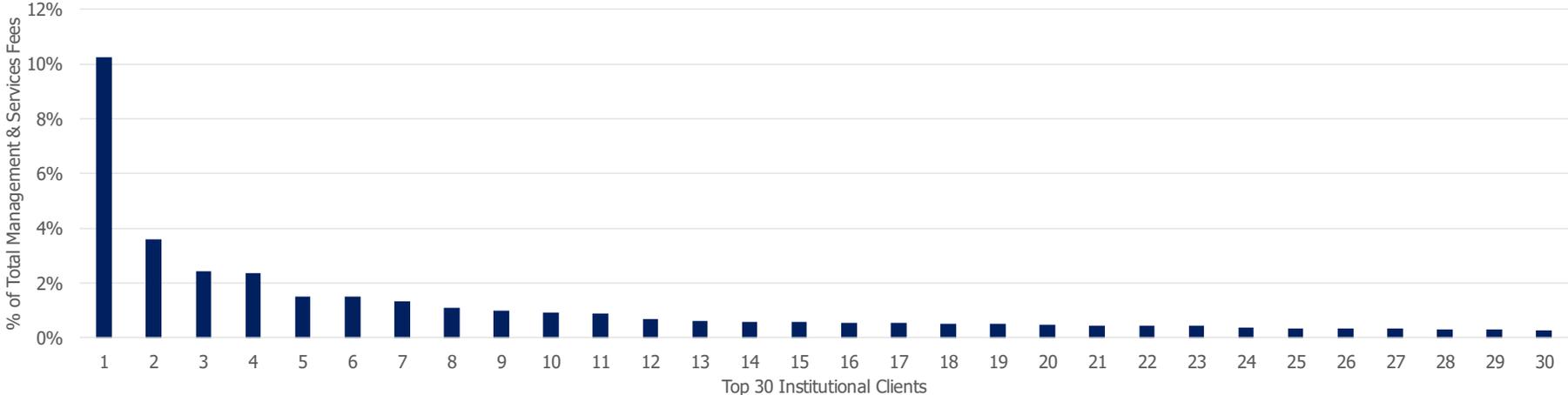
	Closed-ended	Open-ended
FUM	\$3.4 billion	\$2.4 billion
Funds and number of unitholders	MGG: ~35,000 MHH: ~17,000	MGE: ~23,000 MHG: ~1,370 MICH: ~11,000
Benefits	Partnership benefits, with Magellan paying for the discount UPP at 5% discount to NAV DRP at 5% discount to NAV	Simplification, CHES Live pricing Tight spread to NAV Ample liquidity
Progress, and more to be done		

Listed Unitholder Growth



Number of registered unitholders across Magellan Global Equities Fund (ASX: MGE), Magellan Global Equities Fund (Currency Hedged) (ASX:MHG), Magellan Infrastructure Fund (Currency Hedged) (ASX: MICH), Magellan Global Trust (ASX: MGG) and Magellan High Conviction Trust (ASX: MHH) to 31 December 2019

Institutional Client Diversity



Cumulative Total Management and Services Fees

Top Institutional Clients	5	10	20	30
%	20	26	32	35

Management and Services fees for the six months to 31 December 2019 for separately managed accounts and institutional investors in local and offshore vehicles. Excludes Performance fees.

Principal Investments

- Principal Investments include investments in Magellan Funds, listed shares and a small number of unlisted investments

Investment (\$ million)	31 Dec 2019	30 June 2019
Cash	0.7	4.6
Magellan Unlisted Funds ¹	271.3	213.4
Listed shares/funds ²	142.6	125.7
Other ³	0.0	3.8
Total	414.6	347.5
Net deferred tax ⁴	(33.7)	(24.4)
Net principal investments	380.9	323.1
Net principal investments per share (cents) ⁵	209.0	182.5

1. Magellan Unlisted Funds as outlined in Note 7 of the Financial Statements; 2. Listed shares/funds include seed portfolios and Magellan's listed funds (as outlined in Note 7 of the Financial Statements) 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 182,280,222 ordinary shares on issue at 31 December 2019 (30 June 2019, it is based on 177,087,458 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 2019	28.3%
3 Years to 31 December 2019 p.a.	16.9%
5 Years to 31 December 2019 p.a.	13.8%
Since Inception to 31 December 2019 p.a. ¹	11.5%

1. Return excludes investment in MFF Capital Investments Limited.

Other

- Continue to make progress on a range of new initiatives including:
 - *Airlie Australian Share Fund*: making available via ASX, represents convergence of listed and unlisted funds into a single entity, significant simplification
 - *Retirement Income*: continue to make progress, currently expect launch of Magellan Retirement Fund before the end of the financial year
 - *Partnership Initiatives*: continue to assess a number of partnership initiatives to add resilience and diversity to our business over time

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