

**Chairman's Address
to the 2021 Annual General Meeting
Thursday 21 October 2021**

Welcome everyone to the 15th Annual General Meeting of Magellan Financial Group Limited.

Today I will touch briefly upon some of the Company's activities over the last financial year, and the firm's strategy.

I would like to start by outlining the outstanding nature of our business and the significant opportunities we have to expand it further in the future.

Our asset management business has significant scale with total funds under management in excess of \$110 billion and world class operating margins and profitability. Our business is broad with a diverse mixture of clients. We have a very large institutional business with more than \$80 billion in funds under management across more than 130 relationships globally. Our higher margin retail business is also broad-based with funds under management of approximately \$30 billion. The retail business covers deep and longstanding relationships with over 11,500 financial planners (including over 1,470 dealer groups and self-licensed practices), all the major stockbroking firms and over 120,000 direct investors. We already have market leading franchises in global equities and listed infrastructure and have a scale business in Australian equities which is growing.

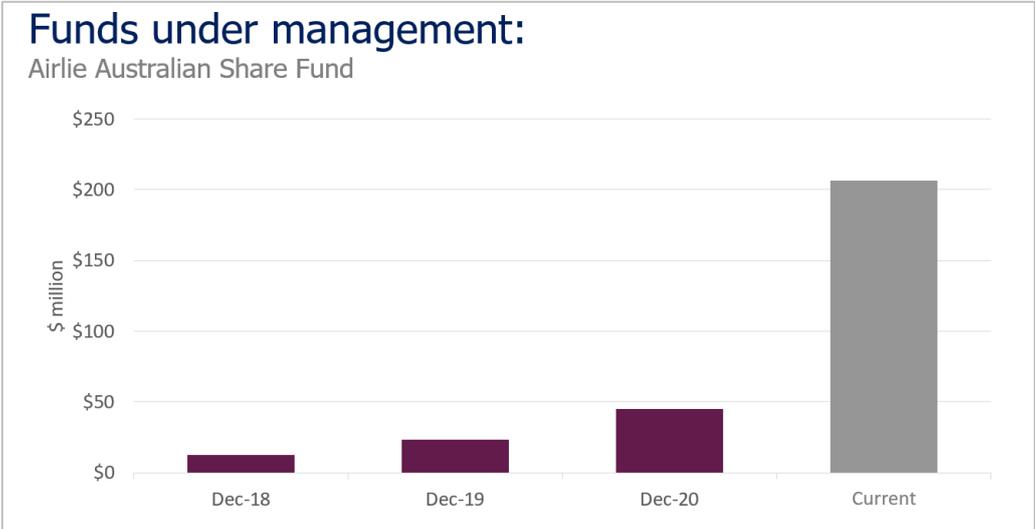
We see significant opportunities to grow our core Funds Management business across five product areas outside of our global equities franchise. In recent years, we have undertaken significant investment in developing three new product capabilities in the ESG/Sustainability space, our MFG Core Series of funds and now in the retirement space with the recent launch of **FuturePay**. It was pleasing to see that the Global Sustainable strategy, run by our deputy Chief Investment Officer, Dom Giuliano, secured its first two mandates during the quarter ended 30 September 2021 and an additional client in October 2021. We are hopeful of more to come. We also see significant opportunities to grow our listed infrastructure and Australian equities franchises. These five important product areas are run by a very talented team of portfolio managers: Dom Giuliano and Alan Pullen in the ESG/Sustainability space; Vihari Ross, Elisa Di Marco and David Costello for the MFG Core Series; Paddy McCrudden for **FuturePay**; Gerald Stack, Ofer Karliner and Ben McVicar in listed infrastructure; and John Sevier, Matt Williams and Emma Fisher in our Airlie Australian equities franchise.

For the 12 months to 30 September 2021 we had net inflows of approximately \$700 million and total funds under management of almost \$30 billion across listed infrastructure, Australian equities, ESG/Sustainable, our MFG Core Series of funds and **FuturePay**. Funds under management in ESG/Sustainable and the MFG Core Series of funds both exceed \$300 million and the Australian equities retail fund currently has approximately \$200 million in funds under management.

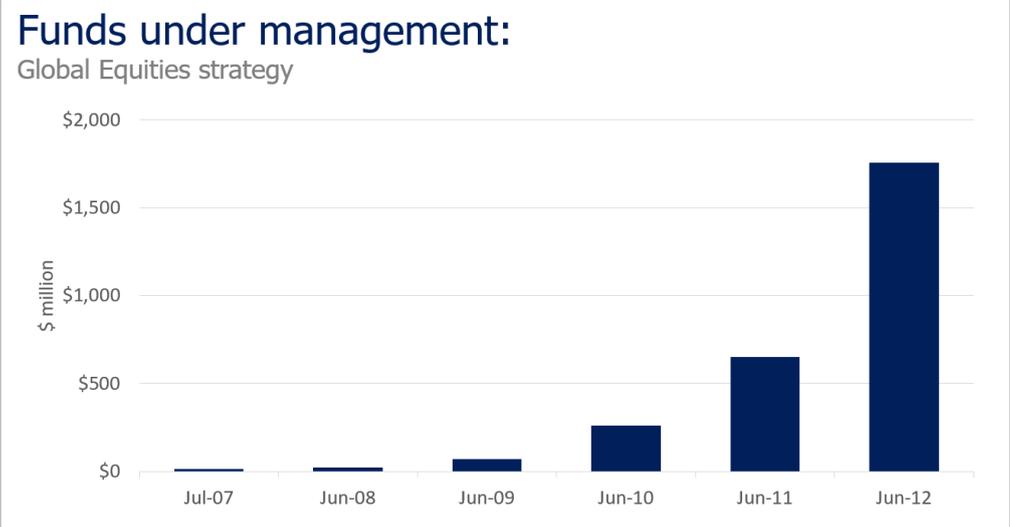
Success is never built overnight and we are pleased with the progress we are making in each of these areas. To some extent launching new strategies is like a snowball in that they start small and once they gain traction and critical mass they can gain scale quickly. The following slides set out the growth in the funds under management from ESG/Sustainable since 2017. We are pleased with progress and we are gaining momentum.



The following slide sets out the growth in the funds under management for the Airlie Australian Share Fund since launch in 2018. As you can see from the graph we have seen a significant pick up in momentum in the past 9 months.



In comparison we have set out in the following slide the funds under management for our Global Equities strategy over the first 5 years after the launch of the Magellan Global Fund on 1 July 2007. Clearly it takes time to gain momentum and critical mass after the initial launch of a strategy. We note the total funds under management in Global Equities is currently in excess of \$80 billion.



We intend to stay fully focussed on our Funds Management business, the engine room of our operations, and see significant opportunities for further growth in the years ahead. Expanding our core Funds Management business outside of our global equities franchise will further enhance the quality of our business. Our Chief Executive Officer, Brett Cairns, will outline in his presentation the progress we are making and the opportunities we have to attract new funds under management into existing and new strategies.

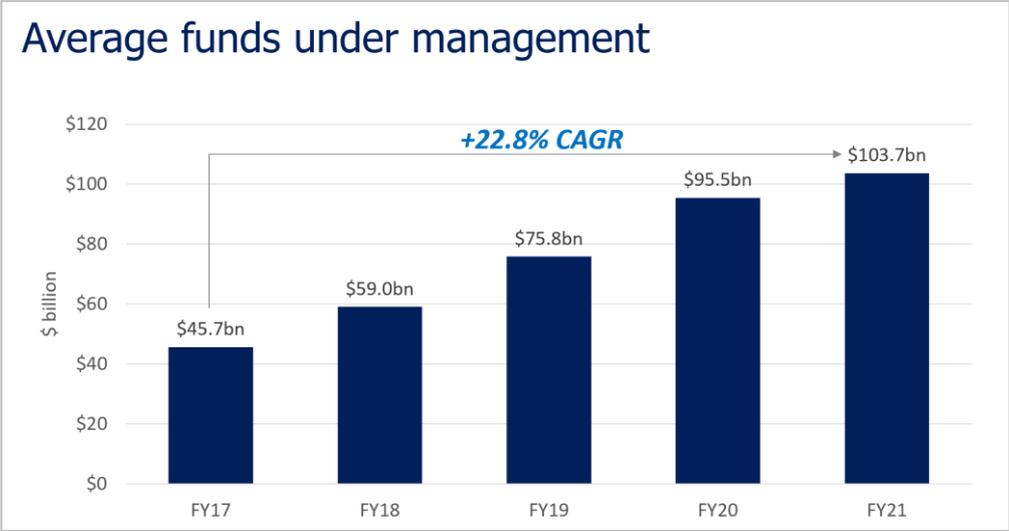
Overall, we believe Magellan’s financial results for the year ended 30 June 2021 are satisfactory:

- Average funds under management increased 9% to \$103.7 billion.
- Reported net profit after tax was \$265.2 million (compared with \$396.2 million for year ended 30 June 2020).
- Net profit before tax of the Funds Management Segment was \$556.7 million (compared with \$558.0 million for the year ended 30 June 2020). Excluding performance fees, net profit before tax of the Funds Management Segment increased by 10% to \$526.6 million.
- Total dividends of 211.2 cents per share (compared with 214.9 cents per share for year ended 30 June 2020).

Average funds under management

The 9% increase in average funds under management in the 2021 financial year was important as this measure largely determines the profitability of Magellan’s Funds Management business from year-to-year. We essentially earn management fees (excluding performance fees) of around 0.6% per annum of average funds under management.

The following slide sets out our average funds under management over the past five years. This shows that average funds under management has grown from \$45.7 billion to \$103.7 billion or a compound growth rate of 23% per annum.

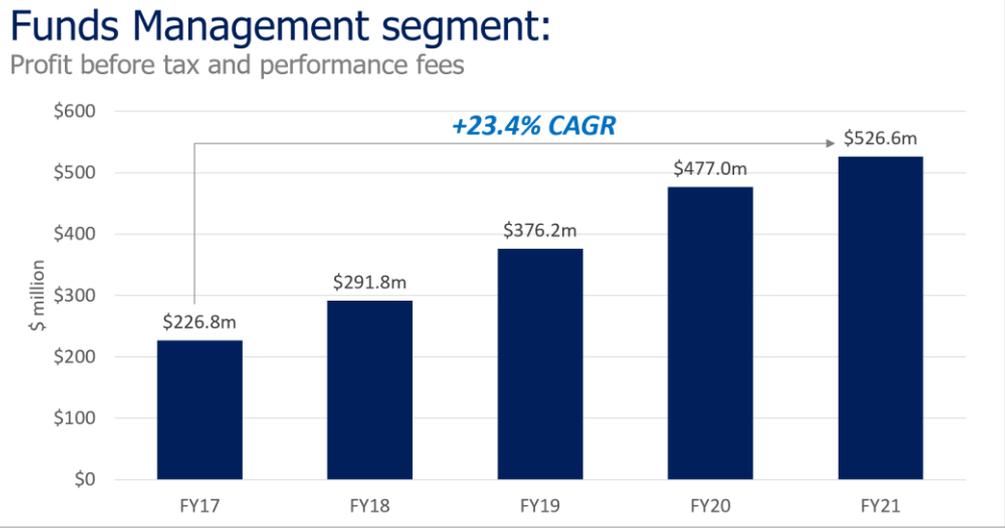


The future rate of growth in average funds under management will be driven by three key factors – our ability to retain our existing clients, our ability to attract new funds under management into existing and new strategies and the investment performance of our investment strategies over time.

Net profit before tax and performance fees of the Funds Management business

As outlined in the 2021 Annual Report, the directors consider that net profit before tax and performance fees is the most important measure of the underlying financial performance of our business.

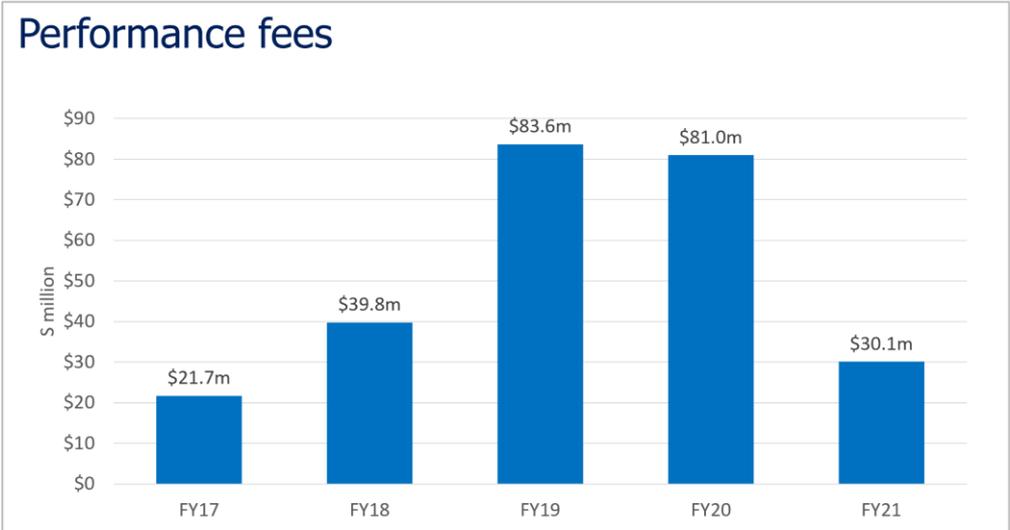
The following slide sets out the profit before tax and performance fees of the Funds Management business over the past five years. As you can see, the profit has grown from \$226.8 million in 2017 to \$526.6 million in 2021, representing a compound growth rate of 23% per annum, in line with the growth in average funds under management. Similarly, the 10% increase in net profit before tax and performance in the last year essentially matched the uplift in average funds under management over the same period.



Performance fees

Performance fees are the icing on the cake. However, whilst performance fees are valuable to shareholders, they add volatility to our reported results. We are an unusual fund manager as we distribute the vast majority of performance fees after tax to our shareholders as an additional dividend (paid with the final dividend), rather than use this revenue to pay additional bonuses to staff. The stock market may not reward Magellan for volatility in its reported profitability in the short term, but performance fees contribute meaningfully to shareholder returns over time.

We have set out in the following slide the performance fees earned by Magellan over the past five years. You can clearly see this is not a straight line. The total performance fee dividends paid to shareholders over the past five years have totalled 95.9 cents per share.



Since its inception, the objective of Magellan's Global Equities strategy has been to deliver compound returns of 9% per annum net of fees over the medium term with materially lower downside risk than markets. Unfortunately, the market environment over the last 12 months has not been conducive to the lower risk nature of Magellan's Global Equities strategy and a few issues have negatively impacted our performance. The resulting short-term relative performance of our Global Equities strategy and the impact this may have on our funds under management inevitably creates short-term uncertainty. This is in the context of the Global Equities strategy delivering strong positive returns in line with our objectives during this period of relative underperformance in comparison to world equity markets.

Nonetheless, we believe our major clients have a clear understanding of the characteristics of our Global Equities strategy which has consistently delivered on its objectives. Furthermore, I can assure you we are not complacent and continue to be highly focussed on investment results and on communicating with our clients.

We have confidence in our investment strategies and believe they will continue to deliver very satisfactory outcomes for clients. Our long-term focus and client obsession have created substantial long-term shareholder value and we are not about to change course. I am reminded by the famous quote from Ben Graham who said: "In the short term the market is a voting machine and in the long term the market is a weighing machine."

In summary, we have an exceptional business and are committed to addressing the current market challenges and continuing to achieve long-term growth. Brett will shortly outline in his address the progress we are making across our entire Funds Management business.

In the past 12 months, Magellan has made a number of investments outside our Funds Management business. These investments form part of our new business segment, Magellan Capital Partners.

The investments we made in the 2021 financial year are:

- a 40% economic interest in Barrenjoey Capital Partners Group;
- a 12% shareholding (fully diluted) in Guzman y Gomez (Holdings) Limited; and
- a 15% interest (fully diluted) in FinClear Holdings Limited.

All of these initiatives are investments for the future that we believe can add meaningful additional earnings streams, create a more robust and diverse business and ultimately create meaningful shareholder value over time.

We are very satisfied with the excellent progress to date of each of these businesses. I am also pleased to report that for the three months to 30 September 2021, the Magellan Capital Partners segment was profitable and we are confident in the prospects and potential for these investments. It is also noteworthy that FinClear completed a recent capital raising at multiples of the price we paid for our interest last year.

While it is still early days, we believe Magellan Capital Partners is firmly on track. We will provide further information on these businesses as they start to contribute more meaningfully to Magellan’s profitability.

Paul Lewis retired from the Board as a non-executive director on 30 September 2021. Paul joined the Board in 2006 and also chaired the Remuneration and Nominations Committee and has been a director of Magellan Asset Management Limited. This is the end of a chapter and I look back with extreme fondness and a touch of sadness on Paul’s retirement. Paul’s counsel, insight, support and importantly his friendship over the past 15 years have been invaluable. On behalf of all our employees and shareholders, I would like to thank Paul for everything he has done for Magellan.

I would like to thank all our colleagues at Magellan for all their dedication and hard work this year. It has been a challenging year in many respects for our employees and their families and I can assure you every one of our employees gets up every working day seeking to do their best on behalf of you and importantly Magellan’s clients.

I would also like to thank each of our shareholders for your ongoing support of Magellan.

I would now like to hand over to Brett for his CEO address.

Hamish M Douglass
Chairman and Chief Investment Officer

Important Information

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