

# Magellan High Conviction Trust (Managed Fund)

ARSN: 634 789 754

Ticker: MHHT

## Trust Facts

Portfolio Managers	Chris Wheldon, CFA and Michael Poulsen, CFA	
Structure	Global Equity Fund	
Inception Date	11 October 2019	
Management Fee <sup>1</sup>	1.50% per annum	
Trust Size / NAV Price	AUD \$486.2 million / \$1.2782 per unit	
Distribution Frequency	Semi-annually	
Performance Fee <sup>1</sup>	10% of the excess return of the units of the Trust above the Absolute Return performance hurdle (10% per annum). Additionally, the Performance Fees are subject to a high water mark.	
Tickers	<b>Solactive iNAV</b>	<b>ICE iNAV</b>
Bloomberg (MHHT AU Equity)	MHHTAUIV Index	MHHTIV Index
Refinitive (MHHT.AX)	MHHTAUDINAV=SOLA	MHHTAUiv.P
IRESS (MHHT.ASX)	MHHTAUDINAV.ETF	MHHT-AUINAV.NGIF

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

## Trust Features

- Targets attractive risk-adjusted long-term compounding
- High quality, all-cap universe
- Deep, proprietary fundamental research
- 10-20 concentrated holdings
- 0-50% cash tolerance
- Active ETF with settlement via CHESSE

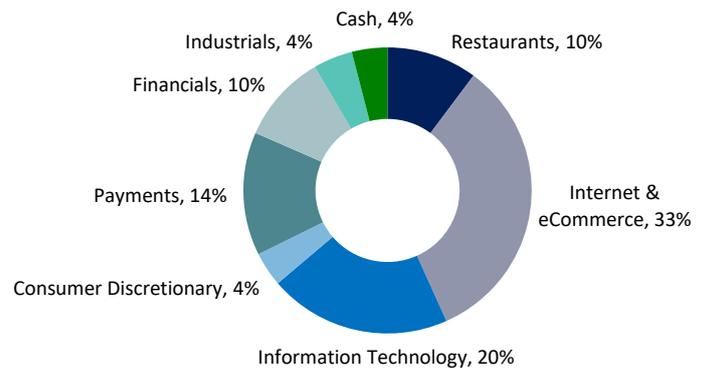
## Trust Performance<sup>^</sup>

	Magellan High Conviction Trust (Managed Fund) (%)
1 Month	-3.3
3 Months	-0.8
1 Year	-24.9
Since Inception (% p.a.)	-2.4

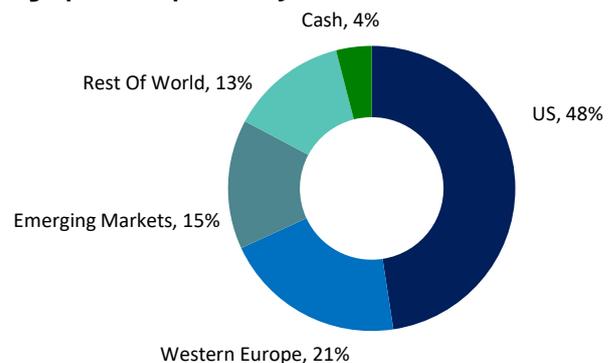
## Top 5 Holdings

In alphabetical order	Sector <sup>#</sup>
Alphabet Inc	Internet & eCommerce
Amazon.com Inc	Internet & eCommerce
Intercontinental Exchange Inc	Financials
Microsoft Corporation	Information Technology
Visa Inc	Payments

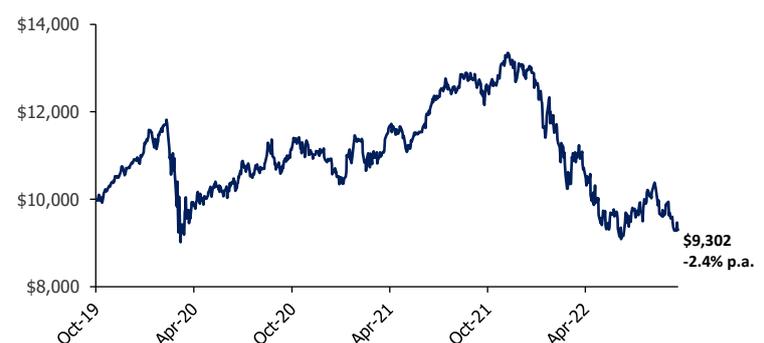
## Sector Exposure by Source of Revenue<sup>#</sup>



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



## Performance Chart growth of AUD \$10,000<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 add to 100% due to rounding.  
<sup>^</sup> 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). Trust Inception 11 October 2019. Returns denoted in AUD.

## Market Commentary

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Global stocks slumped for a third consecutive quarter in the three months to September after a higher-than-expected reading on US inflation signalled the Federal Reserve would respond aggressively, faster inflation fuelled by higher energy prices and a rising US dollar pressured other central banks including the European Central Bank to raise rates, speculation increased that China's economy is in trouble, and new UK Prime Minister Liz Truss lost the confidence of investors when announcing an unfunded widening in the budget deficit. During the quarter, nine of the 11 sectors fell in US-dollar terms. Communications (-12%) fell the most while consumer staples (+2.1%) rose most. The Morgan Stanley Capital International World Index lost 6.2% in US dollars but rose 0.3% in Australian currency after the Australian dollar dived.

US stocks dropped after the inflation report for August fanned expectations the Fed would need to raise the cash rate more than expected and keep it higher for longer. While the report showed consumer prices were flat in August (for a 12-month rate of 8.3%), the core measure that strips out food and energy prices jumped a higher-than-expected 0.5% in the month (for a 12-month rate of 6.3%). The Fed responded by raising the cash rate by 0.75% in September to between 3% and 3.25%. This followed a similar hike in June and July and marked the fifth increase since March when the rate was close to 0%. In political news, Congress passed a bill dubbed the Inflation Reduction Act, which, as it contains an estimated US\$375 billion in measures to fight climate change, President Joe Biden hailed as the "biggest step forward on climate ever". The S&P 500 Index slumped 5.3%.

European stocks dropped after the European Central Bank raised interest rates for the first time since 2011 and warned "sacrifice" was needed to tame inflation, and eurozone inflation accelerated to a fresh record high. Italy's government fell and sent the country to a snap election, and the UK opted for a new prime minister, who triggered a financial and political crisis with unfunded fiscal stimulus that included tax cuts for higher earners and relief for higher energy prices. The ECB raised its key rate in two steps by a bigger-than-expected 125 basis points to 0.75%, to end eight years of negative rates. The central bank acted after monthly reports showed inflation setting fresh record highs – culminating in a reading of 10% in the 12 months to September. Inflation rose as benchmark electricity prices peaked 1,000% above their average of the past decade, and the euro fell to a 20-year low against the dollar (which boosts import prices). The central bank unveiled its 'transmission protection instrument' that is designed to stop the spread between sovereign yields widening too much. In political news, Italy's prime minister elect after the September poll is Giorgia Meloni of the Brothers of Italy party, who is described as centre right by the Italian media. In the UK, Prime Minister Boris Johnson resigned after losing the confidence of his party and was replaced by Truss. The new leader announced a 'mini-budget' that added to government debt and inflation pressures and triggered talk she would soon be removed. The Bank of England was forced to intervene to stop a systemic crash after bond prices plunged. The Euro Stoxx 50 Index shed 3.3%.

Japan's Nikkei 225 Index dipped 1.7% as news the economy expanded a revised annualised 3.5% in the three months to June limited losses. Australia's S&P/ASX 200 Accumulation Index rose 0.4% on higher commodity and energy prices, even as the Reserve Bank of Australia raised the cash rate every month by 50 basis points, to take the rate to 2.35%, to fight inflation that reached 6.1% in the 12 months to June. China's CSI 300 Index plunged 15% as reports showed repeated zero-covid-related lockdowns and heatwaves had inflicted so much damage on the economy that authorities needed to respond with stimulus, the yuan slumped to a record low in offshore trading of below 7.2 to the US dollar, and China fired ballistic missiles over Taiwan to protest against a visit by US House of Representative Speaker Nancy Pelosi. The MSCI Emerging Markets Index shed 13% in US dollars as concerns rose a higher US dollar, rising food prices and higher US interest rates could destabilise countries, and Brazil's presidential election loomed that could send the country into a political crisis if either right-leaning President Jair Bolsonaro or former leftist president Luiz Inacio Lula da Silva or their supporters refused to accept the result.

## Fund Commentary

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The portfolio recorded a negative return for the quarter. The biggest detractors in local-currency terms were the strategy's holdings in Microsoft, Alphabet and Visa. The trio slid mainly because they are proxies for economic activity: Microsoft for business IT investment; Alphabet, the owner of Google, for advertising; and Visa for consumer spending. A further blow for Microsoft was that its US\$69 billion purchase of computer games developer Activision Blizzard faces a probe by the UK regulators over whether or not it could hamper competition.

The biggest contributors included the investments in Netflix and Amazon.com. Netflix gained after the streaming TV leader reported it lost a fewer-than-expected 970,000 subscribers in the second quarter and the company announced it will partner with Microsoft on its new ad-supported tier. Amazon rose after reporting second-quarter revenue that beat estimates and predicted sales could rise 17% in the current quarter thanks to third-party selling and sustained growth in its AWS cloud division.

Index movements are in local currency. US GDP statistics come from the US Department of Commerce, while US employment and inflation statistics are published by the US Department of Labor. EU economic statistics come from Eurostat. UK statistics are released by the Office for National Statistics. Japanese economic statistics come from the Ministry of Economy, Trade and Industry, the Ministry of Finance and the Ministry of Foreign Affairs (GDP). Australian economic statistics are released by the Australia Bureau of Statistics. China's economic statistics are compiled by the National Bureau of Statistics of China.

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