



Level 36, 25 Martin Place
Sydney NSW 2000 AUSTRALIA

General: +61 2 9235 4888
Facsimile: +61 2 9235 4800
Website: www.magellangroup.com.au
ABN: 59 108 437 592

16 February 2023

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

**INTERIM REPORT AND FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

Magellan Financial Group Limited (ASX code: MFG) hereby lodges:

1. Appendix 4D Statement for the half year ended 31 December 2022; and
2. Interim Report for the half year ended 31 December 2022, incorporating the Chief Executive Officer's Interim Letter and the financial statements.

Yours faithfully,

Authorised by
Marcia Venegas | Company Secretary

Appendix 4D

Magellan Financial Group Limited

ACN 108 437 592

Results for Announcement to the Market

				31 Dec 2022 \$'000	31 Dec 2021 \$'000
		change			
Total revenue and other income	Down by	-50%	to	199,390	401,022
Net profit after tax	Down by	-67%	to	83,756	251,632
Total comprehensive income	Down by	-67%	to	84,332	252,844
Adjusted net profit after tax	Down by	-60%	to	98,345	248,514
Basic and diluted earnings per share (cents) ¹				45.6	136.3
Adjusted basic and diluted earnings per share (cents) ¹				53.6	134.6

¹ Outstanding options are currently antidilutive but could potentially dilute basic earnings and adjusted basic earnings per share in the future.

Net tangible assets ("NTA") per share^{1,2}

As at 31 December 2022	\$4.61
As at 30 June 2022	\$4.95
As at 31 December 2021	\$5.35

¹ Outstanding options are currently antidilutive but could potentially dilute NTA per share in the future.

² NTA per ordinary share includes right-of-use assets.

Dividends

	Amount per security	Franked Amount per security
Interim dividend (to be paid on 8 March 2023)	46.9 cents	39.87 cents
Previous comparative period	110.1 cents	82.58 cents

Interim dividend dates

Ex-dividend date	21 February 2023
Record date	22 February 2023
Dividend payment date	8 March 2023

Commentary on results including brief explanation of adjusted net profit after income tax expense

For the half year ended 31 December 2022, net profit after income tax expense of \$83,756,000 included amortisation expense of \$2,345,000, net unrealised fair value losses relating to financial assets and liabilities of \$6,896,000, net non-cash remeasurement of SPA loans of \$923,000, non-cash employee share options expense of \$2,042,000 and strategic transaction related expenses of \$2,383,000. Adjusted net profit after income tax expense of \$98,345,000 excludes the impact of these items to provide additional meaningful information about the performance of the business and period-to-period comparability by adjusting for strategic, non-recurring, non-cash or unrealised items. For a full reconciliation of non-IFRS financial results refer to section 3.1 of the Directors' Report in the Interim Report.

Associates and controlled entities

During the half year, the Group deregistered Magellan FuturePay Pty Limited and applied for the deregistration of Magellan Capital Partners No. 3 Pty Limited. There were no further changes to the entities over which the Group has control. Additionally, there were no changes to the Group's interests in associates. Refer to note 9 of the financial statements for further information in respect of the Group's associates.

Financial report

Additional Appendix 4D disclosure requirements and further information including commentary on the Group's performance and results of segments are contained in the Interim Report and accompanying Press Release (2023 Interim Results and Announcement). The consolidated financial statements contained in the Interim Report have been reviewed by Ernst & Young.



MAGELLAN
FINANCIAL GROUP

Magellan Financial Group Limited

Interim Report

For the half year ended 31 December 2022

ABN 59 108 437 592

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The interim financial report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* and does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with Magellan Financial Group Limited's ("MFG") most recent annual financial report available at www.magellangroup.com.au. MFG has also released information to the Australian Securities Exchange ("ASX") in compliance with the continuous disclosure requirements of the ASX Listing Rules and these announcements are available at www.asx.com.au (MFG's ASX code: MFG).

Chief Executive Officer's Interim Letter

For the half year ended 31 December 2022

Dear Shareholder,

I am writing to thank you for your ongoing support and to provide you with an overview of Magellan's financial performance for the six months ended 31 December 2022, as well as an update on progress made on our five-year growth strategy. This includes our FY23 strategic priorities which we announced at our Annual General Meeting (AGM) in October last year.

Our five-year growth strategy was designed to build upon the quality attributes and strong foundations Magellan maintains whilst transitioning the business into a more diversified business with a range of capabilities and offerings that deliver sustainable growth and revenue.

Meaningful transformation takes time, and initially there will be a transition period before significant improvement and growth is evident, as the changes we have implemented start to gain traction. We are at the beginning of this process.

We are however making good progress with Magellan set up for the next phase of its evolution following the accelerated period of change last year. We are making progress in executing our strategy, delivering on our FY23 priorities and building upon the strengths that have underpinned Magellan's success since inception, namely our outstanding innovative people across the business, superior long-term investment research, high quality operational capabilities that support our team of investment professionals, market leading distribution and marketing capabilities and networks, proven innovation in designing new products to meet client needs, and our robust balance sheet.

MARKET CONDITIONS

Market conditions and the economic environment have changed significantly over the past year compared with the last decade. Inflation has re-emerged and with it the prospect of more traditional monetary policy as central banks raise interest rates to slow demand in economies the world over. While recessions will not necessarily follow this period of monetary policy tightening, economies going forward will need to absorb the slowing demand and in some areas reversal of the long cycle of globalisation.

These deteriorating conditions have been reflected in equity market returns as measured by indices and benchmarks such as the MSCI World NTR Index (\$A) which was down 12.2% in the 12 months ended 31 December 2022 and the S&P/ASX 200 Accumulation Index which was down 1.1% for the year.

Whether inflation has peaked and importantly what shape that peak may take, will continue to be a topical question in markets. Participants will continue to comb through the economic data for indicators that might allow central banks to pull back from the interest rate tightening cycle, while demonstrating credibility and commitment to their mandates.

We expect this process will be volatile and the high interest rate environment will present challenges for companies, creating more dispersed performance and therefore earnings outcomes. This should produce opportunities for active fund managers to differentiate between companies and importantly to recognise and capitalise on value as it emerges. Thoughtful, long-term and deeply researched investing will be rewarded. Magellan has the capabilities and is well positioned to deliver in this environment.

1H23 FINANCIAL PERFORMANCE

Our financial performance for the half year ended 31 December 2022 reflects the changes the business has undergone as it transitions from being a founder-led business, the reduction in funds under management (FUM) that we experienced over the past 12 months and the prevailing challenging market conditions during the period.

The decline in FUM was largely isolated to our Global Equities business, in part due to its relative underperformance. Together with Gerald Stack, the Deputy CIO, we have taken proactive steps to address this through changes to the investment team and process, including the way the investment team collaborates and generates ideas, as well as providing the right support and tools.

Magellan currently manages \$46.2bn¹ of FUM across its three core strategies – Global Equities, Infrastructure Equities and Australian Equities (via Airlie Funds Management). Whilst this is significantly different to where we stood 12 months ago, we are still a business with scale and have long-established organisational capabilities and foundations from which to build.

¹ As at 31 January 2023

Chief Executive Officer's Interim Letter

For the half year ended 31 December 2022

Magellan's Infrastructure strategy remains one of the best of its kind globally with a strong long-term performance track record. Magellan's strict definition of infrastructure, which favours businesses which have low sensitivity to commodity price movements, has led to a recent period of weaker relative returns as our strategy has low exposure to businesses that benefited from the spike in energy prices during 2022. The Australian Equities strategy run by Airlie is a business going from strength to strength, outperforming the S&P/ASX 200 Accumulation Index since inception and over the past three years.

We are in a strong financial position with \$837.3 million of Net Tangible Assets including investments in funds and associates and no debt. Net cash flows from operating activities of \$90.1 million during the half enabled us to declare an interim dividend of 46.9 cents per share which will be 85% franked, representing a payout in line with our dividend policy of paying 90%-95% of Funds Management profit. The interim dividend will be paid on 8 March 2023.

GROWTH STRATEGY UPDATE

We continue to have significant scale across our three primary strategies: Global Equities; Infrastructure Equities; and Australian Equities. Our path to becoming a more diverse business will require us to develop and deliver new strategies organically from our existing team and skill sets, as well as through expanding the platform by adding to these primary strategies. The critical foundation for delivering that growth is, however, to ensure first that we are consistently delivering the investment performance and risk profile that our investors have come to expect from our current strategies.

Steps to improve the performance of our core funds management business

First and foremost we have simplified Magellan's funds management business. This means all emphasis is on actions that support investment performance across all our strategies whilst also driving efficiency and collaboration across the business. Our Funds Management business continues to operate within an expense range of \$125 - \$130 million for the 2023 financial year, which balances discipline in our cost management with the ability to invest where necessary to support investment excellence and client outcomes.

The organisational realignment announced in October last year was aimed at facilitating improved collaboration, information flow and efficiency. Gerald Stack, as Deputy CIO, has been focused on analyst engagement and communication with portfolio managers and we are starting to see positive outcomes from these changes. These interactions have become less formal and more dynamic and quality investment ideas are being brought forward earlier and prioritised more efficiently.

Research and the work of our analyst team is at the heart of Magellan's investment capabilities and we are focused on continuing to maximise the benefit of this work in the hands of our portfolio managers. Our portfolios are now managed by a consolidated portfolio management group who have the right combination of skills and experience to gain the most leverage from our research engine. We have also implemented disciplined investment frameworks with accountable and well organised processes designed to drive excellence in portfolio construction and stringent risk management.

We continue to see challenging funds flows in Global Equities and recognise that results from change can take time. However, I am pleased to report that, while very early days, the performance profile in recent quarters has shown an improved trend as position adjustments have had their impact.

Organic growth opportunities – the 3 p's – platform, product, people

In parallel with improving performance across our existing strategies, we are harnessing the investment knowledge built over many years to bring new offerings to market, which will be supported by our outstanding operations and distribution capabilities. These new offerings extract existing investment capabilities and apply them to areas where there is strong demand from investors. Magellan has a strong track record of this type of innovation and it remains an ongoing priority and continuous process.

As part of this process, we have been embedding our deep knowledge of environmental, social and governance (ESG) principles that have been developed and refined over the past 15 years across all of our client solutions. We continue to build upon our ESG capabilities, most recently by adding a new dedicated ESG specialist to the team.

Our new **Energy Transition Investment Strategy** is now available for institutional clients. This strategy is oriented towards the significant investment opportunities that arise as the world's economy shifts dramatically to lower carbon intensity over a multi-decade cycle. Our research experience in infrastructure and sustainability has provided a strong platform on which to expand and direct our focus to invest in companies that we believe are positioned to benefit from the energy transition. In the second half of FY23 our focus will be on introducing our Energy Transition Strategy to global institutional advisers and clients.

Chief Executive Officer's Interim Letter

For the half year ended 31 December 2022

The relaunch of the **Magellan Core Series** is expected to take place in the second quarter of calendar 2023. Each of our Core Series products provides the broadest exposure to the Magellan research engine and companies with sustainable earnings moats and strong management teams that meet our stringent quality criteria as confirmed through deep fundamental research. The investment universe defined by Magellan's forward-looking and fundamental research differentiates the Core Series. We believe it is scalable and offers a strong value proposition catered towards low-cost client requirements. The relaunch has involved reconfirming our portfolio construction process and will see us recommit to taking Core Series to clients later in the second quarter of the calendar 2023.

We are well progressed on the development of the **Airlie Small Companies Fund**, a retail fund which we expect to make available to retail investors in the second quarter of calendar 2023. Small cap equities in Australia is an area where high quality managers can generate consistent outperformance and is a product that clients seek. The Airlie team has a strong track record in the Australian market and already covers some of these smaller Australian companies. The team has identified a number of other investment opportunities making expansion into this segment a logical and synergistic near term growth opportunity for Magellan.

Other growth opportunities

We also have the ability to focus beyond our three principal strategies to new and complementary capabilities through inorganic growth. We will support this by investing in our distribution team to expand our global reach and to deepen our specialist product capability to support a diverse offering.

In deciding where to invest, we will look to leading indicators, market trends, industry tailwinds and client demand to invest in growth areas where there are increasing allocations in client portfolios. This will include exploring opportunities to invest in experienced quality teams and capabilities in equities where we can replicate the success of Airlie. We will also look towards areas such as private markets where allocations to this segment are growing in our clients' portfolios.

Our approach in this regard will be disciplined and any acquisition or investment we make in time will be strategic and scalable, complement our existing business and deliver synergies and create shareholder value over time.

People

Our people are our most valued asset, so a key priority has been to refresh and reaffirm our culture and values, to drive high performance and career development and align teams to the long-term success of Magellan, our shareholders and clients.

To achieve this, we need to ensure our employee value proposition outcomes are aligned to delivering our five-year growth strategy and positive client and shareholder outcomes. We have therefore been focused on the development of a new Long Term Incentive Accountability and Alignment program, which we expect to implement ahead of the 2024 financial year.

In the interim, we have accelerated the staff retention program announced in March 2022 by bringing forward the cash payments, by one year, from September 2024 and September 2025 to September 2023 and September 2024 respectively in order to enhance their value as incentives. These payments have been important to allow employees to remain focused on clients and the business during a period of change and uncertainty, while also aligning with shareholder outcomes.

CONCLUSION

I would like to thank you again for your support of Magellan. It is still early days in our five-year transformation program, but we are making good progress on delivering our FY23 priorities. We still have much to do and I look forward to updating you on our ongoing progress at the full year results in August 2023.



David George

Chief Executive Officer and Chief Investment Officer

16 February 2023

Performance Overview

For the half year ended 31 December 2022

Overview of Results

Magellan Financial Group Limited ("Magellan" or the "Group") is a specialist asset manager that has three core investment strategies:

- Global Equities;
- Infrastructure Equities; and
- Australian Equities (via Airlie Funds Management).

Assets are managed on behalf of:

- retail investors in Australia and New Zealand; and
- institutional investors located in Australia and around the world.

The Group's Funds Management segment is the core business and the main driver of the Group's revenues, profitability and therefore, dividends paid to shareholders. Funds under management ("FUM") is the primary driver of the Group's revenues as it determines the level of management fees earned by the Group.

The Group's performance for the half year ended 31 December 2022 reflects changes the business has undergone as it transitions from being a founder-led business, the reduction in FUM experienced over the past 12 months and the prevailing challenging market conditions during the period.

Average FUM for the half year was down 52% to \$53.8 billion (1H22: \$112.7 billion). As at 31 December 2022, FUM was \$45.3 billion.

The Group's **statutory net profit after tax** for the six months ended 31 December 2022 was \$83.8 million (1H22: \$251.6 million).

The Group's **adjusted net profit after tax** for the six months ended 31 December 2022 was \$98.3 million (1H22: \$248.5 million). **Adjusted earnings per share** was 53.6 cents per share (1H22: 134.6 cents per share).

The Group believes adjusted net profit after tax provides meaningful information about the performance of the business, particularly in comparative analysis. Adjusted financial measures for the period are adjusted for:

- non-cash amortisation expense of \$2.3 million;
- net unrealised capital losses from the Fund Investments segment of \$9.9 million (net of tax: \$6.9 million);
- net non-cash remeasurement of share purchase agreement loans of \$0.9 million;
- net non-cash employee share option expense of \$2.0 million; and
- net non-cash expenses related to strategic initiatives of \$3.4 million (net of tax: \$2.4 million), which primarily reflect changes in the fair value of Magellan's liability to fund the 7.5% exercise discount in respect of the MGF Options.

Profit before tax and performance fees from the Group's core Funds Management business was \$119.9 million (1H22: \$293.7 million).

Fund Investments made a gain of \$12.0 million before tax. This primarily comprised dividend and distribution income of \$17.4 million and net realised capital gains of \$4.5 million, which were partially offset by net unrealised capital losses of \$9.9 million. Earnings from dividends and distributions and realised capital gains/losses are included in other revenue in the table on the next page.

The Group's share of the after-tax losses incurred by associate investments was \$8.1 million.

The Directors have declared an Interim Dividend of 46.9 cents per share in respect of the half year ended 31 December 2022, 85% franked. The Interim Dividend will be paid on 8 March 2023.

The Group's policy is to pay Interim and Final Dividends of 90% to 95% of the net profit after tax of the Group's Funds Management business excluding performance fees. Net profit after tax of the Funds Management business excludes amortisation of intangibles, expenses/benefits related to strategic initiatives and gains/losses from non-cash remeasurements.

In addition to the Interim and Final Dividends, the Group will pay an annual Performance Fee Dividend of 90% to 95% of the net crystallised performance fees after tax. Any Performance Fee Dividend will be paid annually alongside the Final Dividend.

The Board has a policy of paying out franking credits to the maximum extent possible over time, however, the level of franking attached to dividends may vary from period to period. The Offshore Banking Unit ("OBU") regime will be abolished from 1 July 2023. The proposed changes to the OBU will likely lead to higher levels of franking paid to shareholders in the future.

Performance Overview

For the half year ended 31 December 2022

The payment of dividends by the Group will be subject to corporate, legal and regulatory considerations.

The following table summarises the Group's profitability over the past two December half year periods²:

	31 Dec 2022 \$'000	31 Dec 2021 \$'000	Change %
Management and services fees	181,068	352,305	(49%)
Performance fees	105	11,472	(99%)
Other revenue and income	27,613	20,065	38%
Adjusted revenue and other income	208,786	383,842	(46%)
Adjusted expenses	(64,807)	(64,629)	0%
Adjusted net profit before tax	143,979	319,213	(55%)
Adjusted tax expense	(37,564)	(73,665)	(49%)
Adjusted net profit after tax and before associates	106,415	245,548	(57%)
Share of after tax profit/(loss) of associates ¹	(8,070)	2,966	nm
Adjusted net profit after tax	98,345	248,514	(60%)
Net expenses related to strategic initiatives ²	(2,383)	(6,061)	nm
Amortisation of intangible assets	(2,345)	(2,287)	nm
Net non-cash remeasurement of SPA loans	(923)	(414)	nm
Non-cash employee share option expense	(2,042)	-	nm
Net unrealised change in fair value of financial assets and liabilities	(6,896)	11,880	nm
Total non-IFRS adjustments after tax	(14,589)	3,118	
Statutory net profit after tax	83,756	251,632	(67%)
Key statistics			
Diluted earnings per share (cents per share)	45.6	136.3	(67%)
Adjusted diluted earnings per share (cents per share)	53.6	134.6	(60%)
Interim dividend (cents per share)	46.9	110.1	(57%)

¹ Share of after-tax profit/(loss) of associates of \$8.5 million adjusted for tax on undistributed associate profit of \$0.4 million. A reconciliation to the reported statutory net profit is outlined in section 3.1 of the Directors' Report.

² Principally comprises the change in value of the obligation associated with Magellan Global Fund ("MGF") Options issued under the MGF Partnership Offer and Bonus MGF Option Issue.

² Adjusted financial measures are adjusted for strategic, non-recurring, non-cash or unrealised items to provide additional meaningful information (refer to section 3.1 of the Directors' Report and note 2 in the financial statements for the breakdown of these items).

Performance Overview

For the half year ended 31 December 2022

Funds Management Segment

The Group's Funds Management segment is Magellan's core business and the driver of the Group's revenues, profitability, and therefore, dividends paid to shareholders. This section discusses the financial performance of the Funds Management segment for the period.

For the half year ended 31 December 2022, the Funds Management segment profit before tax was \$120.0 million (1H22: \$304.9 million). Excluding performance fees, profit before tax was \$119.9 million (1H22: \$293.7 million). Funds Management segment profit excludes amortisation of intangibles, expenses/benefits related to strategic initiatives, gains/losses from non-cash remeasurements and non-cash expenses related to the employee share option plan.

The following table summarises the profitability of the Funds Management segment for the six months ended 31 December 2022 compared with the prior corresponding period:

	31 Dec 2022 \$'000	31 Dec 2021 \$'000	Change %
Revenue			
Management fees	179,068	350,265	(49%)
Performance fees	105	11,472	(99%)
Services fees	2,000	2,040	(2%)
Interest and other revenue	1,295	2,872	(55%)
	182,468	366,649	(50%)
Expenses			
Employee expenses	45,486	41,634	9%
Fund administration and operational costs	7,996	10,678	(25%)
Information technology and data	4,348	3,763	16%
Marketing	926	1,113	(17%)
Other expenses	3,671	4,533	(19%)
	62,427	61,721	1%
Net profit before tax	120,041	304,928	(61%)
Net profit before tax and performance fees¹	119,937	293,743	(59%)
Key statistics			
Average funds under management (\$ million)	53,776	112,699	(52%)
Average AUD/USD exchange rate	0.6706	0.7319	(8%)
Average number of employees	128	139	(8%)
Employee expenses / total expenses	72.9%	67.5%	
Cost / income	34.2%	16.8%	
Cost / income, excl. performance fees ¹	34.2%	17.3%	

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

Revenues

The primary component of the Group's revenues is management fees, which are based on FUM. Changes in FUM are discussed further on page 10.

Revenues for the half year decreased by 50% to \$182.5 million. This was driven by a 49% decrease in total management fee revenue, as a result of a 52% decrease in average FUM over the period, and a decline in performance fees. Performance fees before tax for the half year were not meaningful compared with \$11.5 million in the prior corresponding period. Performance fees can, and very often do, vary significantly from period to period.

Performance Overview

For the half year ended 31 December 2022

Expenses

Expenses increased by 1% from the prior corresponding period to \$62.4 million.

Payments to employees increased by 9% to \$45.5 million and made up 73% of the operating expenses of the Funds Management segment in the half year, compared with 68% in the prior corresponding period. As a fund manager, Magellan's business is heavily reliant on human capital and its people are fundamental to delivering value for clients.

Employee expenses during the period reflect an expense for the cash retention payments announced in March 2022 as part of a broad staff retention program. During the period, the vesting of the cash retention payments was brought forward by one year from September 2024 and September 2025 to September 2023 and September 2024, respectively, in order to enhance the value of these incentives. Employee expenses reflect this change in vesting. These payments, alongside the broader staff retention program, have been important to allow employees to remain focused on clients and the business during a period of change and uncertainty, while also aligning with shareholder outcomes.

Employee expenses also include the costs associated with the organisational realignment announced in October 2022, however exclude the non-cash expense associated with the employee share option plan.

The business continues to operate within previously provided guidance for Funds Management segment expenses in the range of \$125-\$130 million for the 2023 financial year.

The following table sets out total employee numbers:

	31 Dec 2022	30 Jun 2022
Investment		
Portfolio Managers/Analysts	27	32
Dealers	3	3
	30	35
Distribution & Marketing	25¹	36
Other (including Finance, Risk & Compliance, Admin)	48¹	46
Frontier	8	9
Airlie	9	9
Total	120	135
Average number of employees	128	137

¹ As part of organisational changes, the Performance & Reporting team of seven now report to the CFO/COO and have moved from being recorded under "Distribution & Marketing" to "Other".

Other expenses within the Funds Management business depend on a number of market related variables such as foreign exchange rates, FUM levels and unitholder activity.

The Funds Management business cost to income ratio (excluding performance fees) was 34.2% compared with 17.3% for the half year ended 31 December 2021. The increase to Magellan's cost to income ratio primarily reflects the decrease in revenue resulting from a material reduction in FUM during the period.

The Group continues to pay close attention to costs and has a disciplined, cost-conscious culture.

Performance Overview

For the half year ended 31 December 2022

Funds Under Management

The following table sets out the composition of Magellan's FUM:

	31 Dec 2022	30 Jun 2022
Retail	18.9	22.2
Institutional	26.4	39.1
Total FUM (\$ billion)	45.3	61.3
Retail (%)	42%	36%
Institutional (%)	58%	64%
FUM subject to performance fees (%)	42%	40%
Breakdown of FUM		
Global equities	20.6	33.3
Infrastructure equities	16.2	20.1
Australian equities	8.5	7.9
Total FUM (\$ billion)	45.3	61.3
Average base management fee (bps) per annum excluding performance fees ¹	66	62

¹ Calculated as management fees (excluding performance and services fees) for the relevant period divided by the average of month end FUM over the same period.

As at 31 December 2022, the Group had FUM of \$45.3 billion, split between:

- Global equities (45%);
- Infrastructure equities (36%); and
- Australian equities (19%).

This compares with FUM of \$61.3 billion at 30 June 2022. The decrease in FUM was driven by:

- investment losses of approximately \$0.7 billion;
- net outflows of \$14.9 billion; and
- cash distributions (net of reinvestment) of approximately \$0.4 billion.

Net outflows have predominantly been driven by client outflows in the Global Equities business, in part due to the recent relative underperformance of the strategy. As part of the Group's growth strategy, proactive steps have been taken to address this through a number of initiatives.

First and foremost, an organisational realignment announced in October last year has been implemented. This has facilitated improved collaboration, information flow and efficiency. The Group's portfolios are now managed by a consolidated portfolio management group who have the right combination of skills and experience to gain the most leverage from Magellan's research engine.

In addition, disciplined investment frameworks with accountable and well organised processes designed to drive excellence in portfolio construction and stringent risk management have been introduced. Increased analyst engagement and communication with portfolio managers have also been encouraged, resulting in these interactions becoming less formal and more dynamic, with quality investment ideas being brought forward earlier and prioritised more efficiently.

Whilst the Group continues to see challenging funds flows in Global Equities and recognises that results from change will take time, the performance profile in recent quarters, albeit whilst still very early days, has shown an improved trend as position adjustments have had their impact.

Performance Overview

For the half year ended 31 December 2022

The following table sets out the drivers of FUM changes for each investment strategy:

FUM by strategy (\$ billions)	Investment			
	30 Jun 2022	Net Flows	Performance	31 Dec 2022 ¹
Global Equities	33.3	(13.3)	0.8	20.6
Infrastructure Equities	20.1	(1.5)	(2.3)	16.2
Australian Equities	7.9	(0.1)	0.8	8.5
Total	61.3	(14.9)	(0.7)	45.3

¹ May not add due to rounding. Reflects \$0.4 billion of net distributions paid in July 2022 in Magellan's funds.

Set out in the table below is the investment performance since inception of the Magellan Global Fund, the Magellan Infrastructure Fund and the Airlie Australian Share Fund.

All three funds are long-term funds and all three have outperformed their relevant indices since inception. However, in the shorter term there can be volatility in performance reflecting a multitude of factors, including investment market conditions.

Magellan continues to believe that investing in the world's best companies is a path to growing wealth in the long term. The Group is continuously focused on improving and executing investment processes to deliver the performance for which it is known.

Investment performance for the period to 31 December 2022 ¹	1 Year	3 Years	5 Years	Since Inception
	%	% p.a.	% p.a.	% p.a. ²
Magellan Global Fund³	(15.7)	0.2	7.2	10.0
MSCI World NTR Index (\$A)	(12.2)	6.2	9.2	6.7
Magellan Infrastructure Fund	(5.9)	(1.4)	3.6	7.0
Global Listed Infrastructure Benchmark (\$A) ⁴	1.3	0.5	3.5	5.2
Airlie Australian Share Fund	(5.2)	9.7	-	9.9
S&P/ASX 200 Accum. Index	(1.1)	5.5	-	7.6

¹ 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). Annualised performance is denoted with "p.a." for the relevant period.

² Inception date for the Magellan Global Fund and the Magellan Infrastructure Fund is 1 July 2007 and the inception date for the Airlie Australian Share Fund is 1 June 2018.

³ Performance for the Magellan Global Fund Open Class.

⁴ 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).

Magellan's *Infrastructure Equities* strategy continues to deliver solid long-term performance underscored by the team's strict approach to defining investment grade infrastructure, which excludes companies where Magellan has assessed their earnings to have material direct exposure to commodity prices movements, competitive pressure or sovereign risk. The long-term performance of the strategy demonstrates the success of this disciplined approach, which has developed a strong following amongst investors and advisers. Given the strategy's avoidance of direct exposure to commodity prices, it has experienced a recent period of weaker relative returns reflecting the fund's low exposure to businesses that benefited from the spike in energy prices and the associated strong energy-related commodity returns throughout 2022.

The *Airlie Australian Share Fund* (ASX: AASF / APIR: MGE9705AU) has established an exceptional track record and continues to deliver strong investment performance, having outperformed its benchmark since inception and over the past three years.

With \$45.3 billion of FUM, Magellan is a fund manager of scale, with a strong track record of product innovation, superior long-term investment research capabilities, leading marketing and distribution networks and a robust balance sheet, all of which provide a strong foundation to support its five year growth strategy.

Performance Overview

For the half year ended 31 December 2022

Whilst the immediate priority is to ensure that Magellan is consistently delivering the investment performance and risk profile that investors have come to expect from its current strategies, the Group is also focused on becoming a more diverse business. This will entail the development and delivery of new strategies organically from the existing team and skill sets, as well as through expansion of the platform via additional strategies.

To this end, Magellan is harnessing the investment knowledge it has built over many years to bring new offerings to market, which will be supported by the Group's outstanding operations and distribution capabilities. Magellan has a strong track record of this type of innovation and it remains an ongoing priority and continuous process.

These new offerings are designed to extract existing investment capabilities and apply them to areas where there is strong demand from investors and include:

- A new *Energy Transition investment strategy* which is now available for institutional clients and is oriented towards the significant investment opportunities that arise as the world's economy shifts dramatically to lower carbon intensity over a multi-decade cycle. The Group's research experience in infrastructure and sustainability has provided a strong platform on which to expand and direct its focus to invest in companies that are positioned to benefit from the energy transition. In the second half of FY23 a priority will be to introduce the new Energy Transition investment strategy to global institutional advisers and clients.
- The *Magellan Core Series* which is expected to relaunch in the second quarter of calendar 2023. Each of our Core Series products represents the broadest exposure to the Magellan research engine and companies with sustainable earnings moats and strong management teams that meet our stringent quality criteria as confirmed through deep fundamental research. The investment universe defined by Magellan's forward-looking and fundamental research differentiates the Core Series. We believe it is scalable and offers a strong value proposition catered towards low-cost client requirements.
- *Airlie Small Companies Fund*, a new retail fund which is well progressed and expected to be made available to retail investors in the second quarter of calendar 2023. Small cap equities in Australia is an area where high quality managers can generate consistent outperformance and is a product that clients seek. The Airlie team has a strong track record in the Australian market and already invests in some of these smaller Australian companies. The team has identified a number of other investment opportunities making expansion into this segment a logical and synergistic near-term growth opportunity for Magellan.

Fund Investments

Fund Investments is a sub-set of the Group's balance sheet and largely comprises investments in Magellan's funds and seed portfolios for new strategies and initiatives. The Group believes that maintaining a strong balance sheet which can withstand almost any market condition is important for Magellan's clients and shareholders. The Group's Fund Investments are important for multiple reasons, including:

- alignment with clients through co-investment in Magellan's investment strategies;
- seeding new investment strategies; and
- providing a meaningful level of liquid assets for operational risk purposes.

As at 31 December 2022, the Group had net Fund Investments of \$359.3 million, compared with \$358.4 million at 30 June 2022. The following table sets out a summary of the Group's Fund Investments as at 31 December 2022 and 30 June 2022:

\$million	31 Dec 2022	30 Jun 2022
Cash	0.3	0.3
Investments in:		
Magellan funds ¹	369.8	373.2
Net seed portfolios	5.7	5.5
Other ²	0.2	0.3
Total	376.0	379.3
Net deferred tax liability ³	(16.7)	(20.9)
Net Fund Investments	359.3	358.4
Net Fund Investments per share (cents)⁴	198.0	193.6

¹ Investments are set out in note 6 of the financial statements.

² Comprises receivables and payables.

³ Arises from changes in the fair value of financial assets offset by the deferred tax asset relating to unused tax losses.

⁴ Based on 181,509,883 ordinary shares on issue at 31 December 2022 (30 June 2022: 185,088,872 ordinary shares).

Performance Overview

For the half year ended 31 December 2022

The Group aims to earn satisfactory returns on its Fund Investments portfolio over time while maintaining capital strength to underpin the Group's business. Magellan has established a pre-tax return hurdle of 10% per annum over the business cycle for the Fund Investments portfolio.

The Group's Fund Investments portfolio has returned pre-tax (16.5%), (0.3%) and 6.5% per annum over the last 1, 3 and 5 years to 31 December 2022 respectively. Excluding the effect of the Group's previous investment in MFF Capital Investments Limited, disposed of by way of an in-specie distribution to shareholders in February 2013, the portfolio returned pre-tax 9.6% per annum since inception from 1 July 2007. The inception date of 1 July 2007 has been chosen to reflect the first purchase date of the investments in the Magellan Global Fund and the Magellan Infrastructure Fund.

Challenging market conditions in recent years combined with the weaker performance of Magellan's Global Equities strategy, has meaningfully impacted the returns of the Fund Investments portfolio.

Associate Investments

As at 31 December 2022, Magellan held two investments in associates. These are held on Magellan's balance sheet and are managed separately:

- 36% economic interest (5% voting interest) in Barrenjoey Capital Partners Group Holdings Pty Limited ("Barrenjoey"), a recently established full-service financial services firm; and
- 16%³ interest in FinClear Holdings Limited ("FinClear"), a provider of technology, infrastructure and ASX market-access services.

Associate investments delivered a post-tax loss of \$8.1 million during the half year ended 31 December 2022.

During the half, Barrenjoey continued to strengthen and diversify its revenues despite weaker market conditions and lower activity across the investment banking industry. New business lines that went live during the period included Fixed Income Derivatives, Equity Financing and Private Capital. Barrenjoey's initial build out will be largely completed in the 2023 financial year and the company is now focused on growing market share across its business lines with the benefit of its first-class operating platform. Magellan's share of Barrenjoey's after-tax earnings were negative for the period after establishment costs. These establishment costs comprise technology and operational deployment costs and staff acquisition costs and are expected to decline materially in the next financial year.

FinClear's public equity markets business has been impacted by weaker market conditions, however continues to invest in attractive growth opportunities and recently launched FCX, a secure DLT-based platform for investors and private companies.

Magellan remains a supportive shareholder in these businesses and continues to manage and assess these holdings in a prudent and patient way. Any further investment in these businesses would depend on the opportunity presented with the focus on maximising shareholder value.

Capital Management

As at 31 December 2022 the Group's financial position included:

- investment assets (cash and cash equivalents, financial assets and investments in associates) of \$882.4 million (June 2022: \$963.3 million). The Group's cash position at 31 December 2022 was \$350.8 million and current loans and receivables were \$53.7 million. Dividends of \$85.1 million are due to be paid to shareholders on 8 March 2023;
- total liabilities of \$195.7 million (June 2022: \$214.6 million) which relate predominantly to the Group's financial commitments in regard to the MGF Options, but which also include payables, employee benefits, income tax payable and lease liabilities. The Group has no debt and has access to an undrawn debt facility;
- shareholders' funds of \$946.8 million (June 2022: \$1,026.8 million); and
- net tangible assets per share of \$4.61 (June 2022: \$4.95).

As at 31 December 2022, Magellan had bought back 4,206,116 shares pursuant to its on-market share buy-back program of up to 10 million ordinary fully paid shares (representing 5.4% of shares on issue at announcement).

Magellan remains committed to a disciplined approach to capital management which aims to deliver capital efficiency and attractive returns for shareholders.

³ Excluding the impact of any potential dilution arising from unexercised issued options.

Directors' Report

For the half year ended 31 December 2022

The Directors present their report together with the financial statements of Magellan Financial Group Limited (the "Company" or "MFG") and its controlled entities, which together form the Group, for the half year ended 31 December 2022.

1. Directors

		Appointed	Resigned
Hamish McLennan	Non-Executive Chair	1 March 2016	-
Robert Fraser	Non-Executive Deputy Chair and Chair of Magellan Asset Management ("MAM")	23 April 2014	-
David Dixon	Non-Executive Director and Deputy Chair of MAM	15 December 2022 ¹	-
John Eales	Non-Executive Director	1 July 2017	-
Colette Garnsey	Non-Executive Director	30 November 2020	-
David George	Chief Executive Officer and Chief Investment Officer	19 July 2022 ²	-
Karen Phin	Non-Executive Director	23 April 2014	20 October 2022

¹ Mr Dixon was appointed a Director of MAM on 1 November 2022.

² Mr George was appointed Chief Executive Officer and Managing Director on 19 July 2022. He was subsequently appointed Chief Investment Officer on 17 October 2022.

2. Dividends

The Directors have declared an interim dividend of 46.9 cents per ordinary share (85% franked) in respect of the half year ended 31 December 2022 (December 2021: 110.1 cents per ordinary share, 75% franked). The amount of the interim dividend expected to be paid on 8 March 2023, but not recognised as a liability as at 31 December 2022, is approximately \$85,128,000 (December 2021: \$204,470,000).

The Company's policy is to pay Interim and Final Dividends of 90% to 95% of the net profit after tax of the Group's funds management business excluding performance fees. Net profit after tax of the funds management business excludes amortisation of intangibles, expenses/benefits related to strategic initiatives and gains/losses from non-cash remeasurements. In addition to the Interim and Final Dividends, the Directors will pay an annual Performance Fee Dividend of 90% to 95% of net crystallised performance fees after tax. Any Performance Fee Dividend will be paid annually alongside the Final Dividend. The payment of dividends by the Group will be subject to corporate, legal and regulatory considerations.

3. Review of Financial Results and Operations

3.1. Reconciliation of Net Profit After Tax to Adjusted Net Profit After Tax

The Group's net profit after tax ("Statutory net profit") and earnings per share are prepared in accordance with Australian Accounting Standards. The Group also reports a number of non-International Financial Reporting Standards ("non-IFRS") financial measures including "adjusted revenue and other income", "adjusted net profit before associates", "adjusted net profit after tax" and "adjusted basic and diluted EPS" which are shown on the next page. Refer to section 3.2 for further details on non-IFRS financial measures.

The Group's statutory net profit after tax for the half year ended 31 December 2022 was \$83,756,000, down \$167,876,000 from the prior corresponding half year. The Group's adjusted net profit after tax was \$98,345,000 (December 2021: \$248,514,000) which takes into account various non-IFRS adjustments as shown on the following page.

Directors' Report

For the half year ended 31 December 2022

3.1 Reconciliation of Net Profit After Tax to Adjusted Net Profit After Tax (continued)

	31 Dec 2022		31 Dec 2021	
	Statutory \$'000	Non-IFRS \$'000	Statutory \$'000	Non-IFRS \$'000
Management and services fees	181,068	181,068	352,305	352,305
Performance fees	105	105	11,472	11,472
Other revenue and income	18,217	18,217	37,245	37,245
Total revenue and other income	199,390	199,390	401,022	401,022
Adjust for: net unrealised change in fair value of financial assets and liabilities		9,852		(16,972)
Adjust for: non-cash interest recognised in respect of SPA loans		(456)		(208)
Adjusted revenue and other income		208,786		383,842
Total expenses	(73,977)	(73,977)	(76,197)	(76,197)
Adjust for: net expenses related to strategic initiatives ¹		3,404		8,659
Adjust for: amortisation of intangible assets		2,345		2,287
Adjust for: non-cash expenses recognised in respect of SPA loans		1,379		622
Adjust for: non-cash employee share option expense		2,042		-
Adjusted expenses		(64,807)		(64,629)
Income tax	(33,158)	(33,158)	(76,253)	(76,253)
Adjust for: tax on above adjustments		(3,977)		2,494
Adjust for: tax on undistributed associate profit		(429)		94
Adjusted income tax		(37,564)		(73,665)
Adjusted net profit before associates		106,415		245,548
Share of after-tax profit/(loss) of associates	(8,499)	(8,499)	3,060	3,060
Adjust for: tax on undistributed associate profit		429		(94)
Net profit after tax	83,756		251,632	
Adjusted net profit after tax		98,345		248,514
Basic and diluted earnings per share	45.6		136.3	
Adjusted basic and diluted earnings per share		53.6		134.6

¹ Principally comprises the change in value of the obligation associated with Magellan Global Fund ("MGF") Options issued under the MGF Partnership Offer and Bonus MGF Option Issue.

3.2. Non-IFRS Financial Measures

Non-IFRS financial measures are measures that are not defined or specified under IFRS. The Directors believe non-IFRS financial measures assist in providing additional meaningful information about the performance of the business and period-to-period comparability by adjusting for strategic, non-recurring, non-cash or unrealised items which affect the Group's statutory financial results.

Non-IFRS financial measures should be viewed in addition to, and not as a substitute for, the Group's statutory results. These measures may also differ from non-IFRS measures used by other companies.

The Group's non-IFRS financial measures are presented with reference to the Australian Securities & Investments Commission ("ASIC") Regulatory Guide 230 *Disclosing non-IFRS financial information*, issued in December 2011. Non-IFRS financial measures are not subject to audit or review.

Directors' Report

For the half year ended 31 December 2022

3.3. Statement of Financial Position

The Group is in a strong financial position and at 31 December 2022 reported:

- investment assets (cash and cash equivalents, financial assets and investments in associates) of \$882,398,000 (June 2022: \$963,305,000);
- shareholders' funds of \$946,754,000 (June 2022: \$1,026,760,000); and
- NTA per share of \$4.61 (June 2022: \$4.95).

The Group has access to \$150,000,000 through a revolving debt facility. The Group may use the facility to finance the partnership benefits it has undertaken to fund as part of the MGF Partnership Offer.

Refer to the Performance Overview on page 6 for further information on the Group's operations and results. Further details regarding the strategy and future outlook of the Group are included in the Chief Executive Officer's Interim Letter on page 3.

4. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the half year ended 31 December 2022 other than as disclosed in this report or the financial statements.

5. Events Subsequent to the End of the Half Year

Other than the items noted below, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial periods.

Interim Dividend

Refer to section 2 for details of the dividend declared in respect of the six months ended 31 December 2022.

Funds Under Management

On 6 February 2023, the Group reported to the ASX that its funds under management was \$46.2 billion as at 31 January 2023.

6. Board Renewal Program

The Board continues to undertake a Board renewal program to ensure that the Board has the right skill mix, expertise, independence and diversity to support MFG's future strategic direction. MFG is targeting a Board comprising six independent Non-Executive Directors and one executive Director (being the CEO & Managing Director, David George).

At MFG's Extraordinary General Meeting ("EGM") in December 2022, shareholders approved an increase to the maximum aggregate remuneration payable to Non-Executive Directors. This approval was an important step in the Board renewal program to ensure that MFG can attract and retain high calibre Non-Executive Directors, with the right experience and skills to support MFG's new strategic direction, whilst providing sufficient headroom to facilitate our target Board size. The Board appreciated the 94% level of shareholder support based on votes cast for this resolution.

Following shareholder approval of the resolution, the Board approved an increase to the Non-Executive Director fees, with effect from 1 January 2023. The total fees payable to the current Non-Executive Directors for the 2023 financial year (approximately \$1.1 million) will be well inside the maximum aggregate Non-Executive Director remuneration (\$1.75 million) that was approved by shareholders. The aggregate Non-Executive Director fees have been set around the median level of Non-Executive Director fees of companies within the benchmarking data provided by MFG's independent remuneration advisor. The following table sets out Non-Executive Director fees paid and payable for the 2023 financial year based on a full year of service and reflecting increases during the period.

Directors' Report

For the half year ended 31 December 2022

	Position	30 June 2023 \$'000
MFG Board (Group)	Chair	253
	Member	123
MFG Audit & Risk Committee	Chair	35
	Member ¹	15
MFG Remunerations & Nominations Committee	Chair	25
	Member ¹	10
MAM Board	Chair	103
	Member	30

¹ The Chair of MFG does not receive a fee for his membership of the MFG Audit & Risk Committee and the MFG Remunerations & Nominations Committee.

On 15 December 2022, the Group announced the appointment of David Dixon as Non-Executive Director. David has over 30 years' experience leading and growing investment businesses within the funds management industry and extensive experience as a senior leader and as a director of trustee companies and superannuation funds. His deep experience will be invaluable to the Group. The Board is in an active process to facilitate further Board renewal over the next six to twelve months.

7. Auditor

Ernst & Young continues in the office and a copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

8. Rounding of Amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of the Directors.



Hamish McLennan
Chairman

Sydney
16 February 2023



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's independence declaration to the Directors of Magellan Financial Group Limited

As lead auditor for the review of the financial report of Magellan Financial Group Limited for the half year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Magellan Financial Group Limited and the entities it controlled during the financial period.

A handwritten signature in blue ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in blue ink that reads "Clare Sporle".

Clare Sporle
Partner
16 February 2023

A member firm of Ernst & Young Global Limited
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Consolidated Statement of Profit or Loss and Comprehensive Income

for the half year ended 31 December

	Note	2022 \$'000	2021 \$'000
Revenue			
Management fees	4	179,068	350,265
Performance fees	4	105	11,472
Services fees		2,000	2,040
Advisory fees		698	779
Dividend and distribution income		17,394	8,571
Interest income		4,977	767
Net change in the fair value of financial assets and liabilities:			
Realised		4,528	8,063
Unrealised		(9,852)	16,972
Net foreign exchange gain		472	2,093
Total revenue and other income		199,390	401,022
Expenses			
Employee expenses		48,583	42,217
Non-Executive Director fees		416	263
Fund administration and operational costs		8,050	10,793
Information, technology and data		4,348	3,763
Marketing		926	1,113
Professional services fees		1,044	2,329
Travel and entertainment		764	204
Depreciation and amortisation		3,591	3,555
Foreign and withholding taxes		80	139
Expenses related to strategic initiatives	2	3,404	8,659
Finance costs		769	1,132
Other expenses		2,002	2,030
Total expenses		73,977	76,197
Share of after tax profit/(loss) of associates		(8,499)	3,060
Net profit before tax		116,914	327,885
Income tax expense	5	(33,158)	(76,253)
Net profit after tax		83,756	251,632
Other comprehensive income for the period			
Exchange differences on translation of foreign operations		576	1,212
Other comprehensive income for the period, net of tax		576	1,212
Total comprehensive income for the period		84,332	252,844
Basic earnings per share (cents per share)	3	45.6	136.3
Diluted earnings per share (cents per share)	3	45.6	136.3

The Consolidated Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Financial Position

As at

	Note	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Current assets			
Cash and cash equivalents		350,797	419,922
Loans and receivables		53,706	66,270
Financial assets	6	1,666	1,650
Prepayments		2,170	994
Other assets		626	724
Total current assets		408,965	489,560
Non-current assets			
Loans and receivables		28,129	31,901
Financial assets	6	376,139	379,438
Associates	9	153,796	162,295
Property, plant and equipment		533	592
Right-of-use assets		8,285	9,560
Intangible assets		109,411	111,287
Net deferred tax asset		51,284	49,849
Other assets		5,876	6,919
Total non-current assets		733,453	751,841
Total assets		1,142,418	1,241,401
Current liabilities			
Payables		9,455	15,478
Employee benefits		27,497	31,401
Financial liabilities	7	136,704	133,349
Income tax payable		6,155	18,483
Lease liabilities		2,532	2,585
Total current liabilities		182,343	201,296
Non-current liabilities			
Employee benefits		4,645	3,316
Provisions		67	62
Lease liabilities		8,609	9,967
Total non-current liabilities		13,321	13,345
Total liabilities		195,664	214,641
Net assets		946,754	1,026,760
Equity			
Contributed equity	10	632,862	671,716
Reserves		324,558	317,758
Retained earnings		(10,666)	37,286
Total equity		946,754	1,026,760

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity

for the half year ended 31 December

	Contributed equity	Profits reserve	Share-based payments reserve	Foreign currency translation reserve	Retained earnings	Total equity	
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	
Opening balance at 1 July 2022		671,716	313,233	1,283	3,242	37,286	1,026,760
Net profit after tax for the period		-	-	-	-	83,756	83,756
Other comprehensive income for the period		-	-	-	576	-	576
Total comprehensive income for the period		-	-	-	576	83,756	84,332
Issue of shares:							
On exercise of MFG 2027 Options	10	6	-	-	-	-	6
Shares bought back on-market and cancelled	10	(38,885)	-	-	-	-	(38,885)
Transaction costs, net of tax	10	(28)	-	-	-	-	(28)
Dividends paid	11	-	(127,526)	-	-	-	(127,526)
Share purchase agreements ("SPA") expense	10	53	-	-	-	-	53
Share-based payment expense		-	-	2,042	-	-	2,042
Transfer (from retained earnings)/to profits reserve		-	131,708	-	-	(131,708)	-
Closing balance at 31 December 2022		632,862	317,415	3,325	3,818	(10,666)	946,754
Opening balance at 1 July 2021		607,849	345,089	-	(102)	36,598	989,434
Net profit for the period		-	-	-	-	251,632	251,632
Other comprehensive income for the period		-	-	-	1,212	-	1,212
Total comprehensive income for the period		-	-	-	1,212	251,632	252,844
Issue of shares:							
Under Dividend Reinvestment Plan ("DRP")	10	52,335	-	-	-	-	52,335
Under SPA	10	19,731	-	-	-	-	19,731
Transaction costs, net of tax	10	(162)	-	-	-	-	(162)
Dividends paid	11	-	(209,709)	-	-	-	(209,709)
SPA expense	10	88	-	-	-	-	88
Transfer (from retained earnings)/to profits reserve		-	250,871	-	-	(250,871)	-
Closing balance at 31 December 2021		679,841	386,251	-	1,110	37,359	1,104,561

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Cash Flows

for the half year ended 31 December

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Management and services fees received		209,260	368,795
Performance fees received		-	19,409
Advisory fees received		1,110	894
Dividends and distributions received		8,376	7,894
Interest received		3,847	553
Finance cost payments		(837)	(1,132)
Tax payments		(46,817)	(65,785)
Payments to suppliers and employees		(84,800)	(90,089)
Payments of transaction costs related to strategic initiatives		(39)	(2,021)
Net cash from operating activities		90,100	238,518
Cash flows from investing activities			
Proceeds from the sale of financial assets and liabilities		19,727	11,080
Purchases of financial assets and liabilities		(12,824)	(14,292)
Purchases of associates		-	(2,985)
Purchases of property, plant and equipment		(89)	(145)
Net placements of cash on term deposits		(16)	-
Net cash from/(used in) investing activities		6,798	(6,342)
Cash flows from financing activities			
Proceeds from share issuances, net of transaction costs		(29)	23,672
Proceeds from repayment of share purchase plan loans		1,126	1,866
Dividend payments	11	(126,606)	(178,931)
Lease payments		(1,232)	(1,161)
Shares bought back on-market	10	(39,837)	-
Net cash used in financing activities		(166,578)	(154,554)
Net increase/(decrease) in cash and cash equivalents		(69,680)	77,622
Effects of exchange rate changes on cash and cash equivalents		555	2,269
Cash and cash equivalents at the beginning of the period		419,922	211,577
Cash and cash equivalents at the end of the period		350,797	291,468

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

For the half year ended 31 December 2022

Overview

Magellan Financial Group Limited (the "Company" or "MFG") is a for-profit entity that is incorporated and domiciled in Australia. The Company is listed on the Australian Securities Exchange (ticker code: MFG).

This condensed interim financial report comprises the consolidated financial report of MFG and its subsidiaries ("the Group"). This financial report was authorised for issue in accordance with a resolution of the Directors on 16 February 2023 and the Directors have the power to amend and reissue this financial report.

1. Basis of Preparation

This condensed interim financial report for the six month period ended 31 December 2022 is a general purpose financial report and has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and other mandatory professional reporting requirements. It also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts in this financial report are presented in Australian dollars (\$) and rounded to the nearest thousand dollars (\$'000) in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless stated otherwise.

This condensed interim financial report does not include all the information and disclosures normally included in the Group's annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2022 Annual Report and any public announcements made in respect of the Group during the half year ended 31 December 2022 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

1.1. Accounting Policies

The accounting policies adopted in the preparation of this financial report are consistent with those of the previous financial year and corresponding interim reporting period.

The Group has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective at reporting date. No accounting standard, interpretation or amendment that has been issued is expected to have a material impact on the Group's financial statements.

1.2. Critical Accounting Estimates and Judgements

In applying the Group's accounting policies, a number of estimates and assumptions have been made concerning the future. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable. As a result, actual results could differ from those estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those described in the 30 June 2022 Annual Report.

Notes to the Financial Statements

For the half year ended 31 December 2022

2. Segment Information

The Group's business activities are organised into the reportable operating segments listed below for internal management purposes.

Funds Management

The Funds Management segment provides investment funds management to high net worth and retail investors in Australia and New Zealand, and institutional investors globally. Funds Management activities include:

- Providing investment research and administrative services to certain clients;
- Providing investment management and sub-advisory services under client mandates; and
- Acting as Responsible Entity/Trustee ("RE") and/or Investment Manager ("IM") for the following funds (collectively the "Magellan Funds"):

Australian funds	RE	IM	International funds	IM
Magellan Global Fund	✓	✓	MFG Global Fund ¹	✓
Magellan Global Fund (Hedged)	✓	✓	MFG Select Infrastructure Fund ¹	✓
Magellan Global Equities Fund (Currency Hedged)	✓	✓	MFG Global Sustainable Fund ¹	✓
Magellan Infrastructure Fund	✓	✓	Frontier MFG Global Equity Fund ²	✓
Magellan Infrastructure Fund (Unhedged)	✓	✓	Frontier MFG Global Plus Fund ²	✓
Magellan Infrastructure Fund (Currency Hedged)	✓	✓	Frontier MFG Core Infrastructure Fund ²	✓
Magellan High Conviction Fund	✓	✓	Frontier MFG Select Infrastructure Fund ²	✓
Magellan High Conviction Trust	✓	✓	Frontier MFG Global Sustainable Fund ²	✓
MFG Core Infrastructure Fund ³	✓	✓		
MFG Core International Fund ³	✓	✓		
MFG Core ESG Fund ³	✓	✓		
Magellan Sustainable Fund	✓	✓		
Magellan Global Wholesale Fund	✓	✓		
Airlie Australian Share Fund ⁴	✓	✓		
Airlie Concentrated Share Fund ⁴	✓	✓		

¹ Funds authorised under the European Commission (Undertakings for Collective Investment in Transferable Securities ("UCITS")).

² Collectively, the Frontier MFG Funds.

³ Collectively, the Core Series Funds.

⁴ Collectively, the Airlie Funds

Fund Investments

The Fund Investments segment comprises the Group's direct investment in certain Magellan Funds and a select portfolio of listed Australian and international equities.

Associate Investments

The Associate Investments segment comprises a portfolio of selective investments in businesses in which the Group has a strategic interest.

Corporate

The Corporate segment principally comprises the Group's treasury management activities, corporate development and strategy activities and the costs associated with governance and corporate management. The combined income tax consequences of the Group are reported in the Corporate segment, with the exception of deferred income tax arising from changes in the value of financial assets and associates, which are reported in the relevant segment.

No operating segments have been aggregated to form the above reportable operating segments and inter-segment revenues and expenses (where applicable) have been eliminated on consolidation.

Notes to the Financial Statements

For the half year ended 31 December 2022

Segment Financial Results

31 December 2022	Funds Management \$'000 ¹	Fund Investments \$'000	Associate Investments \$'000	Corporate \$'000	Total \$'000
Segment revenue					
Management fees	179,068	-	-	-	179,068
Performance fees	105	-	-	-	105
Services and advisory fees	2,698	-	-	-	2,698
Dividend and distribution income	-	17,394	-	-	17,394
Interest income	135	-	-	4,386	4,521
Net change in the fair value of financial assets and liabilities:					
Realised	-	4,528	-	-	4,528
Unrealised	-	(9,852)	-	-	(9,852)
Net foreign exchange gain	462	10	-	-	472
Total segment revenue and other income	182,468	12,080	-	4,386	198,934
Segment expenses					
Employee expenses	45,486	-	-	24	45,510
Non-Executive Director fees	124	-	-	292	416
Other expenses	16,817	53	-	2,011	18,881
Total segment expenses	62,427	53	-	2,327	64,807
Share of after tax profit/(loss) of associates	-	-	(8,499)	-	(8,499)
Total segment operating profit before tax	120,041	12,027	(8,499)	2,059	125,628
Other comprehensive income					
Exchange differences on translation of foreign operations	576	-	-	-	576
Other comprehensive income, before tax	576	-	-	-	576
Total comprehensive income, before tax	120,617	12,027	(8,499)	2,059	126,204

¹ Includes elimination of income and expense under the transfer pricing agreements between MFG's wholly-owned subsidiary, Magellan Asset Management Limited ("MAM"), and US controlled entities, within the Funds Management segment.

Reconciliation of Segment Operating Profit Before Tax to Statutory Net Profit After Tax

	31 Dec 2022 \$'000	31 Dec 2021 \$'000 ¹
Total segment operating profit before tax	125,628	339,245
<i>Add back:</i>		
Amortisation of intangible assets ²	(2,345)	(2,287)
Net non-cash remeasurement of SPA loans	(923)	(414)
Non-cash employee share option expense	(2,042)	-
Net expenses related to strategic initiatives:		
MGF Partnership Offer and Bonus MGF Option Issue	(3,403)	(8,309)
Commitment to Magellan FuturePay	(1)	(350)
Total expenses related to strategic initiatives	(3,404)	(8,659)
Statutory net profit before tax for the period	116,914	327,885
Income tax expense	(33,158)	(76,253)
Statutory net profit after tax for the period	83,756	251,632

¹ Prior period segment operating profit before tax has been restated to exclude the net non-cash remeasurement of SPA loans of \$414,000 on a basis consistent with the current reporting period.

² Amortisation expense relates to intangible assets recorded on acquisition of Airlie Funds Management ("Airlie") and Frontier Partners Inc, Frontegra Strategies LLC and Frontegra Asset Management Inc (collectively, the "Frontier Group").

Notes to the Financial Statements

For the half year ended 31 December 2022

Segment Financial Results (continued)

31 December 2021 ¹	Funds Management \$'000 ²	Fund Investments \$'000	Associate Investments \$'000	Corporate \$'000	Total \$'000
Segment revenue					
Management fees	350,265	-	-	-	350,265
Performance fees	11,472	-	-	-	11,472
Services and advisory fees	2,819	-	-	-	2,819
Dividend and distribution income	-	8,571	-	-	8,571
Interest income	20	-	443	96	559
Net change in the fair value of financial assets and liabilities:					
Realised	-	8,063	-	-	8,063
Unrealised	-	16,972	-	-	16,972
Net foreign exchange gain	2,073	20	-	-	2,093
Total segment revenue and other income	366,649	33,626	443	96	400,814
Segment expenses					
Employee expenses	41,634	-	-	13	41,647
Non-Executive Director fees	164	-	-	99	263
Other expenses	19,923	120	343	2,333	22,719
Total segment expenses	61,721	120	343	2,445	64,629
Share of after tax profit/(loss) of associates	-	-	3,060	-	3,060
Total segment operating profit before tax	304,928	33,506	3,160	(2,349)	339,245
Other comprehensive income					
Exchange differences on translation of foreign operations	1,212	-	-	-	1,212
Other comprehensive income, before tax	1,212	-	-	-	1,212
Total comprehensive income, before tax	306,140	33,506	3,160	(2,349)	340,457

¹ Prior period segment operating profit before tax has been restated to exclude the net non-cash remeasurement of SPA loans of \$414,000 on a basis consistent with the current reporting period.

² Includes elimination of income and expense under the transfer pricing agreements between MFG's wholly-owned subsidiary, MAM, and US controlled entities, within the Funds Management segment.

Segment Assets and Liabilities

31 December 2022	Funds Management \$'000	Fund Investments \$'000	Associate Investments \$'000	Corporate \$'000	Total \$'000
Financial assets	1,666	375,444	695	-	377,805
Associates	-	-	153,796	-	153,796
Other assets	219,621	(16,140) ¹	(1,392) ¹	408,728	610,817
Total liabilities	(51,985)	-	-	(143,679)	(195,664)
Net assets	169,302	359,304	153,099	265,049	946,754
30 June 2022					
Financial assets	1,650	378,743	695	-	381,088
Associates	-	-	162,295	-	162,295
Other assets	249,813	(20,351) ¹	(1,821) ¹	470,377	698,018
Total liabilities	(60,947)	-	-	(153,694)	(214,641)
Net assets	190,516	358,392	161,169	316,683	1,026,760

¹ Reflects tax liabilities within the Group's net deferred tax asset.

Notes to the Financial Statements

For the half year ended 31 December 2022

3. Earnings Per Share

	31 Dec 2022	31 Dec 2021
Basic and diluted EPS		
Net profit attributable to shareholders (\$'000)	83,756	251,632
Weighted average number of shares for basic and diluted EPS ('000)	183,643	184,587
Basic and diluted EPS (cents)	45.6	136.3

The outstanding MFG 2027 Options and the outstanding options issued to certain employees under the MFG Employee Share Option Plan are not included in the calculation of diluted earnings per share because they are antidilutive for the half year ended 31 December 2022. However, these options could potentially dilute basic earnings per share in the future.

4. Revenue

Management Fees

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Magellan Global Fund	75,981	119,319
Magellan Global Fund (Hedged)	4,649	10,680
Magellan Global Equities Fund (Currency Hedged)	1,003	2,253
Magellan Infrastructure Fund	13,380	14,799
Magellan Infrastructure Fund (Unhedged)	5,322	5,740
Magellan Infrastructure Fund (Currency Hedged)	4,435	4,551
Magellan High Conviction Fund	1,968	4,316
Magellan High Conviction Trust	3,830	7,187
MFG Core Infrastructure Fund	673	710
MFG Global Fund	2,726	9,916
MFG Select Infrastructure Fund	1,183	1,340
Frontier MFG Funds	5,748	14,738
Airlie Funds	1,536	1,087
Other funds and mandates	56,634	153,629
Total management fees	179,068	350,265

Notes to the Financial Statements

For the half year ended 31 December 2022

Performance Fees

	High watermark unit price (\$) ¹	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Based on performance relative to both market index and absolute return hurdle			
Magellan Global Fund (Open/Closed Class)	2.2676/1.6287	70	104
Magellan Global Fund (Hedged)	1.4342	8	13
Magellan Global Equities Fund (Currency Hedged)	2.8296	1	2
Magellan Infrastructure Fund	1.3342	17	5,336
Magellan Infrastructure Fund (Unhedged)	1.8195	7	1,838
Magellan Infrastructure Fund (Currency Hedged)	2.9372	2	1,648
Based on performance relative to absolute return hurdle			
Magellan High Conviction Fund (Class A/B)	2.2270/1.3679	-	791
Magellan High Conviction Trust	1.7569	-	1,052
Based on performance relative to a market index and/or absolute return hurdle			
Other funds and mandates	various	-	688
Total performance fees		105	11,472

¹ The high watermark as at 31 December 2022 and adjusted for distributions. The high watermark is the Net Asset Value ("NAV") per unit at the end of the most recent calculation period for which the Group was entitled to a performance fee, less any intervening income (including capital distributions).

Management, Services and Performance Fees by Geographic Location

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Australia & New Zealand	140,467	230,266
United Kingdom & Europe	12,799	74,238
North America	17,864	47,460
Asia	10,043	11,813
Total management, services and performance fees	181,173	363,777

Management, Services and Performance Fees by Investor Type

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Management and services fees		
Retail	125,611	191,363
Institutional	55,457	160,942
Performance fees		
Retail	104	10,590
Institutional	1	882
Total management, services and performance fees	181,173	363,777
Total Retail	125,715	201,953
Total Institutional	55,458	161,824
Total management, services and performance fees	181,173	363,777

Notes to the Financial Statements

For the half year ended 31 December 2022

5. Taxation

For the half year ended 31 December 2022, the Company's estimated effective tax rate was 28.4% (December 2021: 23.3%), which includes tax paid (net of tax credits in foreign jurisdictions). This rate is below the Australian company tax rate of 30% primarily as a result of MAM's qualifying offshore banking unit ("OBU") income, net of costs, which is subject to a concessional tax rate of 10%. For the six months to 31 December 2022, the impact of the concessional tax rate was a benefit of \$4,344,000 in the income tax expense recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income (December 2021: \$21,859,000).

The effective tax rate for the full financial year ending 30 June 2023 may change as it depends upon the proportion of qualifying OBU income relative to total income.

The OBU regime has been abolished and the concessional tax rate of 10% will cease to apply to certain Group income and expenses from 1 July 2023. This change does not result in any financial impact on the Group for the 2023 financial year, but will result in the Group paying higher income tax in Australia from 1 July 2023, which in turn will generate additional franking credits available to frank the Group's dividends to shareholders (all other variables being equal).

Notes to the Financial Statements

For the half year ended 31 December 2022

6. Financial Assets

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Term deposits - at amortised cost¹	1,666	1,650
Total current financial assets	1,666	1,650
Investments - fair value through profit or loss		
Magellan Funds²		
Magellan Global Equities Fund (Currency Hedged)	19,405	19,850
Magellan Global Fund - Open Class ³	147,117	153,875
Magellan Global Fund - Closed Class ^{4,5}	70,524	55,518
Magellan Global Fund (Hedged)	812	839
Magellan Global Wholesale Fund	913	908
Magellan High Conviction Fund	8,433	8,654
Magellan High Conviction Trust	33,564	34,212
Magellan Infrastructure Fund (Currency Hedged)	11,903	12,660
Magellan Sustainable Fund	4,740	4,760
Magellan Wholesale Plus Global Fund	7,921	9,079
Magellan Wholesale Plus Infrastructure Fund	6,098	6,334
MFG Core International Fund	10,526	10,175
MFG Core ESG Fund	10,343	9,857
MFG Global Sustainable Fund	1,685	1,655
Frontier MFG Core Infrastructure Fund	8,289	8,526
Frontier MFG Global Plus Fund	12,025	11,594
Frontier MFG Global Sustainable Fund	15,461	15,290
Magellan FuturePay	-	9,454
Total investments in Magellan Funds	369,759	373,240
Seed investments		
MC Fund	811	795
Portfolios - securities by domicile of primary stock exchange:		
United States	4,341	4,184
Europe and United Kingdom	533	524
Total seed investments	5,685	5,503
Unlisted entities		
	695	695
Total non-current financial assets	376,139	379,438

¹ Held with a major Australian bank and pledged against bank guarantees in respect of the Group's lease obligations. Should the Group fail to make its lease payments, the bank can apply the deposits in settlement of the amount paid to the lessor under the guarantees.

² At 31 December 2022, MFG held the following investments: Magellan Global Equities Fund (Currency Hedged) 14.6% (June 2022: 12.3%), Magellan Global Fund Open Class 2.0% and Closed Class 3.4% (June 2022: 1.6% and 2.8%), Magellan Global Fund (Hedged) 0.1% (June 2022: 0.1%), Magellan Global Wholesale Fund 16.4% (June 2022: 99.9%), Magellan High Conviction Fund 4.5% (June 2022: 3.8%), Magellan High Conviction Trust 7.4% (June 2022: 6.4%), Magellan Infrastructure Fund (Currency Hedged) 1.5% (June 2022: 1.4%), Magellan Sustainable Fund 67.2% (June 2022: 64.3%), Magellan Wholesale Plus Global Fund 1.6% (June 2022: 1.3%), Magellan Wholesale Plus Infrastructure Fund 4.5% (June 2022: 4.0%), MFG Core International Fund 54.9% (June 2022: 66.0%), MFG Core ESG Fund 79.8% (June 2022: 79.7%), MFG Global Sustainable Fund 1.5% (June 2022: 1.2%), Frontier MFG Core Infrastructure Fund 1.6% (June 2022: 0.9%), Frontier MFG Global Plus Fund 46.5% (June 2022: 15.0%) and Frontier MFG Global Sustainable Fund 35.0% (June 2022: 30.7%).

³ MFG sold 3,454,813 units for \$8,281,000 during the period.

⁴ MFG purchased 8,428,685 units for \$11,933,472 during the period.

⁵ At 31 December 2022, MFG held 8,379,927 MGF Options (June 2022: 8,379,927 MGF Options).

Notes to the Financial Statements

For the half year ended 31 December 2022

Reconciliation of Financial Assets Carrying Value

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Current		
Opening balance at 1 July	1,650	1,650
Cash placed on term deposit	16	1,650
Matured term deposits	-	(1,650)
Closing balance	1,666	1,650
Non-current		
Opening balance at 1 July	379,438	452,523
Acquisitions	22,982	43,474
Disposals	(19,718)	(43,603)
Change in value of accrued distributions	(1,239)	673
Net change in fair value		
Realised	4,528	19,308
Unrealised	(9,852)	(92,937)
Closing balance	376,139	379,438

7. Financial Liabilities

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Financial liabilities - fair value through profit or loss		
Obligation to fund the discount offered on MGF Options ¹	136,704	133,349
Total financial liabilities	136,704	133,349

¹ In January 2021, MFG committed to fund the 7.5% discount associated with options issued to MGF unitholders under the MGF Partnership Offer and the Bonus MGF Option Issue (referred to collectively as "MGF Options"). In accordance with accounting standards, the funding obligation has been recognised as a financial liability assuming all MGF Options are exercised over the three-year option term. As a result, the financial liability moves in line with changes to the NAV per MGF Closed Class Unit and reduces when MGF Options are exercised or ultimately forfeited. Any increase in the financial liability is recorded as an additional expense, and any decrease as a gain, in the Consolidated Statement of Profit or Loss and Comprehensive Income.

Reconciliation of Financial Liabilities Carrying Value

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Opening balance at 1 July	133,349	157,093
Net increase/(decrease) in liability resulting from NAV changes	3,403	(22,961)
Expense recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income	136,752	134,132
Exercise of MGF Options during the period	(48)	(783)
Closing balance	136,704	133,349

8. Fair Value Disclosures

The Group classifies financial assets and liabilities that are measured at fair value into the following three levels, as prescribed by the accounting standards, to provide an indication about the reliability of the inputs used in determining fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Fair value is based on the closing price of the security as quoted on the relevant exchange.
- Level 2: valuation techniques using market observable inputs either directly or indirectly. The Group invests in unlisted funds which in turn invest in liquid securities quoted on major stock exchanges. Fair value is estimated using the redemption price provided by the unlisted fund.
- Level 3: valuation techniques using unobservable inputs such as is required where the Group invests in unlisted entities or unlisted funds which in turn invest in unlisted entities.

Notes to the Financial Statements

For the half year ended 31 December 2022

The table below presents the Group's financial assets and liabilities measured at fair value according to the fair value hierarchy:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2022				
Magellan Fund investments ¹	308,122	61,637	-	369,759
Seed portfolios	4,874	811	-	5,685
Unlisted entities ²	-	-	695	695
Financial liabilities at fair value through profit or loss	-	(136,704)	-	(136,704)
Total financial assets and liabilities at fair value	312,996	(74,256)	695	239,435
30 June 2022				
Magellan Fund investments ¹	310,361	62,879	-	373,240
Seed portfolios	4,708	795	-	5,503
Unlisted entities ²	-	-	695	695
Financial liabilities at fair value through profit or loss	-	(133,349)	-	(133,349)
Total financial assets and liabilities at fair value	315,069	(69,675)	695	246,089

¹ Fair value is determined by reference to the fund's redemption unit price at reporting date and is categorised in level 2 since inputs into the redemption unit price are directly observable from published price quotations.

² Comprises a shareholding in an unlisted company for which management has assessed the investment cost to be a reasonable reflection of fair value at reporting date.

There were no transfers between any fair value hierarchy levels during the six month periods ended 31 December 2022 and 30 June 2022. The Group's policy is to recognise transfers into and out of hierarchy levels as at the end of the reporting period.

The fair values of all other financial assets and liabilities approximate their carrying values in the Consolidated Statement of Financial Position.

9. Associates

Associate	Industry	Ownership interest		Investment carrying value	
		31 Dec 2022 %	30 Jun 2022 %	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Barrenjoey Capital Partners Group Holdings Pty Ltd ("Barrenjoey") ¹	Financial services	36	36	126,170	133,240
FinClear Holdings Ltd ("FinClear") ^{2,3}	Financial services	16	16	27,626	29,055
				153,796	162,295

¹ Barrenjoey is an Australian-based financial services firm providing corporate and strategic advisory, capital market underwriting, research, prime brokerage and fixed income services. The Group's voting interest in Barrenjoey is 4.99%.

² FinClear is an Australian-based provider of technology, trading infrastructure and exchange market-access services to wealth, stockbroking, platform and fintech customers. The Group's voting interest in FinClear is equal to its ownership interest.

³ Ownership interest reflects the Group's current entitlement and excludes the impact of any potential dilution arising from unexercised options issued by FinClear.

Transactions with Associates

The Group provides Barrenjoey with up to \$50,000,000 of unsecured working capital finance. During the half year ended 31 December 2022, no amounts were drawn under the facility (December 2021: an aggregate of \$25,000,000 was drawn and subsequently repaid). Interest received on the facility for the half year ended 31 December 2022 amounted to nil (December 2021: \$443,000). The facility was entirely undrawn at 31 December 2022.

During the half year ended 31 December 2022, the Group received brokering services in respect of MFG's on-market share buy-back programme. The Group paid Barrenjoey \$15,000 in brokerage fees during the period ended 31 December 2022 (December 2021: nil).

During the half year ended 31 December 2021, the Group received DRP underwriting services from Barrenjoey in respect of the dividend declared for the six month period ended 30 June 2021. The Group paid Barrenjoey fees of \$46,000 in connection with the underwriting service.

Notes to the Financial Statements

For the half year ended 31 December 2022

10. Contributed Equity

	31 December 2022		30 June 2022	
	Number of securities '000	Contributed equity \$'000	Number of securities '000	Contributed equity \$'000
Ordinary shares				
Opening balance	185,089	672,261	183,794	607,849
Shares issued:				
On exercise of MFG 2027 Options	-	6	3	99
Under Dividend Reinvestment Plan	-	-	1,353	52,335
Under SPA	-	-	566	19,731
Shares bought back on-market and cancelled	(3,579)	(38,885)	(627)	(7,796)
Transaction costs, net of tax	-	(28)	-	(164)
SPA expense	-	53	-	207
Total ordinary shares^{1,2}	181,510	633,407	185,089	672,261
Options				
Opening balance	23,216	(545)	-	-
MFG 2027 Options issued 14 April 2022	-	-	23,219	-
Shares issued from exercise of options during period	-	-	(3)	-
Transaction costs of option issues, net of tax	-	-	-	(545)
Total options	23,216	(545)	23,216	(545)
Total contributed equity	204,726	632,862	208,305	671,716

¹ Includes 1,314,769 ordinary shares held by SPA participants (June 2022: 1,378,354).

² Includes 1,381,622 ordinary shares subject to voluntary escrow which expires in respect of 655,646 shares on 1 March 2023, in respect of 98,438 shares on 2 October each year until 2025 and in respect of 430,662 shares on 23 November 2031 (or such other date determined under the terms governing the issuance of those shares).

Ordinary Shares

Ordinary shares are fully paid and entitle the holder to receive declared dividends and proceeds on winding up of the Company in proportion to the number of and amounts paid up on shares held. An ordinary share also entitles the holder to one vote, either in person, or by proxy, at a meeting of the Company shareholders.

MFG 2027 Options

Each option entitles the holder to acquire one ordinary share in the Company at an exercise price of \$35.00 at any prior to an expiry date of 5pm (Sydney time) on 16 April 2027. The options are not entitled to dividends, and ordinary shares issued on exercise of the options rank equally with all other ordinary shares from the date of issue. Ordinary shares issued on exercise of the options are only entitled to receive a dividend if such shares have been issued on or prior to the applicable record date for determining entitlements.

A total of 23,218,530 MFG 2027 Options were issued by the Company on 14 April 2022. The options are listed on the ASX (ASX Code: MFGO).

Share Buy-back

On 16 March 2022, the Company announced its intention to undertake an on-market share buy-back of up to 10 million ordinary shares, representing up to 5.4% of the shares on issue. During the six months to 31 December 2022, the Group bought back and cancelled 3,579,156 shares at a cost of \$38,885,000. The shares were acquired at an average price (inclusive of transaction costs) of \$10.87 per share with prices ranging from \$9.11 to \$13.28. The total acquisition cost, inclusive of after-tax transaction costs, was deducted from contributed equity. The on-market buy-back program has an end date of 3 April 2023, but may be extended by the Company.

Notes to the Financial Statements

For the half year ended 31 December 2022

11. Dividends

	Cents per share	Franking % ¹	Total \$'000	Date Paid
During the half year ended 31 December 2022				
Prior year final dividend paid	65.0	80%	120,308	6 September 2022
Prior year performance fee dividend paid	3.9	80%	7,218	6 September 2022
Total dividends declared and paid during the half year²	68.9		127,526	
During the half year ended 31 December 2021				
Prior year final dividend paid	102.6	75%	188,573	23 September 2021
Prior year performance fee dividend paid	11.5	75%	21,136	23 September 2021
Total dividends declared and paid during the half year²	114.1		209,709	

¹ At the corporate tax rate of 30%.

² Includes dividends of \$920,000 which were not paid in cash but rather applied directly against the balances of SPA loans (December 2021: \$1,244,000). During the half year ended 31 December 2021, a further \$29,534,000 of declared dividends were delivered in shares in relation to DRP participation.

Dividend Declared

On 16 February 2023, the Directors declared an interim dividend of 46.9 cents per ordinary share (85% franked at the corporate tax rate of 30%) in respect of the six months to 31 December 2022 (December 2021: 110.1 cents per ordinary share 75% franked).

A dividend payable to shareholders of the Company is only recognised for the amount of any dividend declared by the Directors on or before the end of the half year, but not paid at reporting date. Accordingly, the interim dividend totalling approximately \$85,128,000 is not recognised as a liability and will be paid on 8 March 2023.

Imputation Credits

The Group has a total of \$27,437,000 imputation credits available for subsequent reporting periods based on a tax rate of 30% (June 2022: \$39,363,000 at a 30% tax rate). The amount comprises the balance of the imputation account at the end of the reporting period, adjusted for franking credits that will arise from the payment of income tax liabilities after the end of the half year. The dividend declared by the Directors on 16 February 2023 will be partially franked out of existing franking credits, or out of franking credits arising from the payment of income tax.

12. Commitments and Contingent Assets and Liabilities

Commitments

The Group has extended loan commitments to certain related parties which were undrawn at reporting date (refer to note 9). All other commitments relate to non-cancellable payments under short-term and low-value lease agreements.

Contingent Assets and Liabilities

The Group has contingent assets and liabilities in respect of the following items:

- Magellan Global Fund Dividend Reinvestment Plan:** In accordance with the terms of a deed entered into with MGF, the Group has agreed to pay MGF an amount equal to the MGF DRP discount. As a result, the Group has a contingent liability where MGF offers a discount to the Net Trust Value per unit on units issued under the MGF DRP in future periods. The quantum of the contingent liability is determined at each MGF distribution date and the amount is currently equal to a 7.5% discount to the NAV per unit multiplied by the number of units participating in the MGF DRP. It is not practical to estimate the future cost to the Group as there is uncertainty as to the level of participation in the MGF DRP, the NAV per unit and whether the MGF DRP will be offered.
- Deferred conditional bonuses:** The unrecognised portion of annual bonuses payable to employees by the Group in the future is a contingent liability. At 31 December 2022, the contingent liability is \$6,811,000 (June 2022: \$9,766,000). Of this amount, \$1,927,000 would be payable during the year ending 30 June 2023 and \$4,884,000 would be payable during the years ending 30 June 2024 through 30 June 2025, subject to the vesting conditions being met.
- Cash retention incentives:** The unrecognised portion of retention incentives payable in cash for services provided by employees in future periods is a contingent liability. At 31 December 2022, the contingent liability is \$11,223,000 (June 2022: \$16,433,000).

Notes to the Financial Statements

For the half year ended 31 December 2022

Of this amount, \$4,531,000 would be payable during the year ending 30 June 2024 and \$6,692,000 would be payable during the year ending 30 June 2025, subject to the vesting conditions being met.

- *Deferred proceeds in respect of GYG divestment:* During the 2022 financial year, the Group sold its shares in Guzman y Gomez (Holdings) Limited ("GYG") to an investment trust managed by Barrenjoey. As part of the transaction, the Group executed an agreement with Barrenjoey which would see the Group receive further consideration of up to \$6,128,000 subject to the performance of GYG and the realisation of the investment by the managed trust.

13. Subsequent Events

Other than the items noted below, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Interim Dividend

Refer to note 11 for details of the dividend declared in respect of the six months ended 31 December 2022.

Funds Under Management

On 6 February 2023, the Group reported to the ASX that its funds under management was \$46.2 billion as at 31 January 2023.

Directors' Declaration

For the half year ended 31 December 2022

In the Directors' opinion,

- a. the financial statements and notes set out on pages 19 to 35 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and
 - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving declarations from the Chief Executive Officer and Chief Financial Officer which mirror section 295A of the *Corporations Act 2001* and are recommended by the ASX Corporate Governance Principles and Recommendations.

This declaration is made in accordance with a resolution of the Directors.



Hamish McLennan
Chairman

Sydney
16 February 2023



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent auditor's review report to the members of Magellan Financial Group Limited

Conclusion

We have reviewed the accompanying interim financial report of Magellan Financial Group Limited ("the Company") and its subsidiaries (collectively, "the Group"), which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibilities for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and

its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Clare Sporle'.

Clare Sporle
Partner
Sydney
16 February 2023

Corporate Information

As at 16 February 2023

Directors

Hamish McLennan – Chair
Robert Fraser – Deputy Chair and Chair of MAM
David Dixon – Deputy Chair of MAM
David George – Chief Executive Officer and Chief Investment Officer
John Eales AM
Colette Garnsey OAM

Company Secretary

Marcia Venegas

Registered Office

Level 36, 25 Martin Place, Sydney NSW 2000
Telephone: +61 2 9235 4888
Email: info@magellangroup.com.au

Website

www.magellangroup.com.au

Securities Exchange Listing

Magellan Financial Group Limited shares and options are listed on the Australian Securities Exchange (ASX: MFG and MFGO)

Corporate Governance Statement

The Corporate Governance Statement for MFG can be found at the Shareholder Centre at www.magellangroup.com.au

Auditor

Ernst & Young
200 George Street, Sydney NSW 2000

Share Registry

Boardroom Pty Limited
Level 8, 210 George Street, Sydney NSW 2000
Telephone: +61 2 9290 9600
Email: enquiries@boardroomlimited.com.au

InvestorServe is Boardroom's free, self-service website where shareholders can manage their interests online. The website enables shareholders to:

- view share balances
- change address details
- view payment and tax information
- update payment instructions
- update communication instructions.

Shareholders and option holders can register their email address at www.boardroomlimited.com.au to receive shareholder communications electronically.

Electronic delivery of CHESS holding statements and notifications

The ASX has now launched the ASX CHESS Statements Portal, giving share and option holders the ability to receive electronic notifications about their holdings. This shift away from paper-based communications may make it easier for investors to manage their holdings, and benefit the environment by reducing waste.

To access the portal and electronic notifications, investors will need their broker to opt them in. Investors should contact their broker to see if they have this service enabled. If an investor has not opted in, they will continue to receive CHESS holding statements and notifications by mail. Once an investor has opted in, investor statements and notifications will be available through the ASX CHESS Statements Portal and they will no longer receive paper statements.