

Magellan Financial Group Limited

2020 AGM Presentation

Brett Cairns | CEO



Magellan Financial Group Full Year Results

\$ million	30 June 2020	30 June 2019	% change
Management and services fees	591.6	472.5	25%
Performance fees	81.0	83.6	(3%)
Other revenue	20.3	21.1	(4%)
Adjusted revenue	692.9	577.3	20%
Adjusted expenses	(119.7)	(104.0)	15%
Adjusted net profit before tax	573.2	473.2	21%
Adjusted net profit after tax	438.3	364.2	20%
Transaction costs related to strategic initiatives (after tax)	(38.1)	(10.9)	n/m
Amortisation expense of intangible assets	(4.7)	(4.5)	n/m
Net unrealised change in fair value of financial assets and liabilities (after tax) ¹	0.7	28.1	n/m
Net profit after tax	396.2	376.9	5%
Key statistics			
Diluted EPS (cents per share)	218.3	213.1	2%
Adjusted diluted EPS (cents per share)	241.5	205.9	17%
Interim and Final Dividends (cents per share)	184.5	151.8	22%
Annual Performance Fee Dividend (cents per share)	30.4	33.4	(9%)
Total Dividends (cents per share)	214.9	185.2	16%
Franking	75%	75%	

Adjusted financial measures are adjusted for non-cash items (amortisation expense and unrealised gains/losses) and transaction costs related to strategic initiatives (IPO costs for Magellan High Conviction Trust and DRP discount funding for Magellan High Conviction Trust and Magellan Global Trust for the year ended 30 June 2020).

1. Net of a realised financial liability relating to strategic initiatives – see Note 16 in the Financial Statements

Funds Management Business

\$ million	30 June 2020	30 June 2019	% change
Revenue			
Management fees	587.2	467.8	26%
Performance fees	81.0	83.6	(3%)
Services fees	4.4	4.7	(6%)
Other income	2.2	5.2	(58%)
	674.8	561.3	20%
Expenses			
Employee expense	73.8	62.8	18%
Marketing expense	4.9	3.4	46%
Other expense	38.1	35.4	8%
	116.8	101.5	15%
Profit before tax	558.0	459.8	21%
Profit before tax and before performance fees¹	477.0	376.2	27%

Key Statistics

	30 June 2020	30 June 2019	% change
Average Funds Under Management (\$ billion)	95.5	75.8	26%
Average AUD/USD exchange rate	0.6716	0.7155	(6%)
Avg. number of employees	128	125	2%
Employee expense/total expense	63.2%	61.8%	
Cost/Income	17.3%	18.1%	
Cost/Income (excl performance fees) ¹	19.7%	21.3%	

1. Adjusts for the current period performance fee impact on revenue and expenses for the 12 month period.

Expenses

- Costs associated with strategic initiatives considered as outside day-to-day operating expenses
 - Excluded from Funds Management business
 - Excluded from dividend payout
- Cost to income ratio (excluding performance fees) of 19.7% during the period
 - Key driver of profit is not expense movements, but FUM movements
- Expect Funds Management business expenses in 2021 financial year to be \$110-\$115 million, as a result of no bonus deferral for FY20 and outstanding deferred bonuses paid out in FY20

Tax and Dividends

- Effective tax rate for the 12 months to 30 June 2020 is 23.1% (Offshore Banking Unit)
- Dividends:
 - 6 month dividend of 122.0 cents per share (75% franked) comprising:
 - Final Dividend of 91.6 cents per share
 - Performance Fee Dividend of 30.4 cents per share
 - Pay dividends promptly – 26 August 2020
 - Dividend policy¹ :
 - Interim and Final dividends based on 90%-95% of profit of Funds Management business excluding crystallised performance fees
 - Annual Performance Fee Dividend of 90%-95% of net crystallised performance fees after tax

1. Subject to corporate, legal and regulatory considerations.

COVID-19 Update

- Transitioned to work-from-home operating state across the business in March 2020
- Strong balance sheet allows us to focus on our clients without distraction
- No staff reductions and no reduction in hours or salaries
- Variable bonus reductions balanced by payout of previously earned, but deferred, bonus payments
- No deferral of FY20 variable bonus payments

Funds Under Management Summary

	30 June 2020		30 June 2019		30 June 2018	
Closing FUM (\$ billion)		%		%		%
Retail	26.8	28%	23.2	27%	19.2	28%
Institutional	70.4	72%	63.5	73%	50.3	72%
Total FUM	97.2		86.7	100%	69.5	100%
Average FUM (\$ billion)						
Retail	25.9		20.4		17.3	
Institutional	69.6		55.4		41.7	
Total average FUM	95.5		75.8		59.0	
Breakdown of Closing FUM (\$ billion)		%		%		%
- Global Equities	74.3	77%	64.0	74%	52.7	76%
- Global Listed Infrastructure	15.9	16%	15.2	17%	10.3	15%
- Australian Equities	7.0	7%	7.5	9%	6.5	9%
Total FUM	97.2	100%	86.7	100%	69.5	100%
Average Base Management fee (bps) per annum (excl Perf Fee)		62		62		65
FUM subject to Performance Fees (%)		34%		33%		34%

Investment Performance

For the periods to 30 June 2020

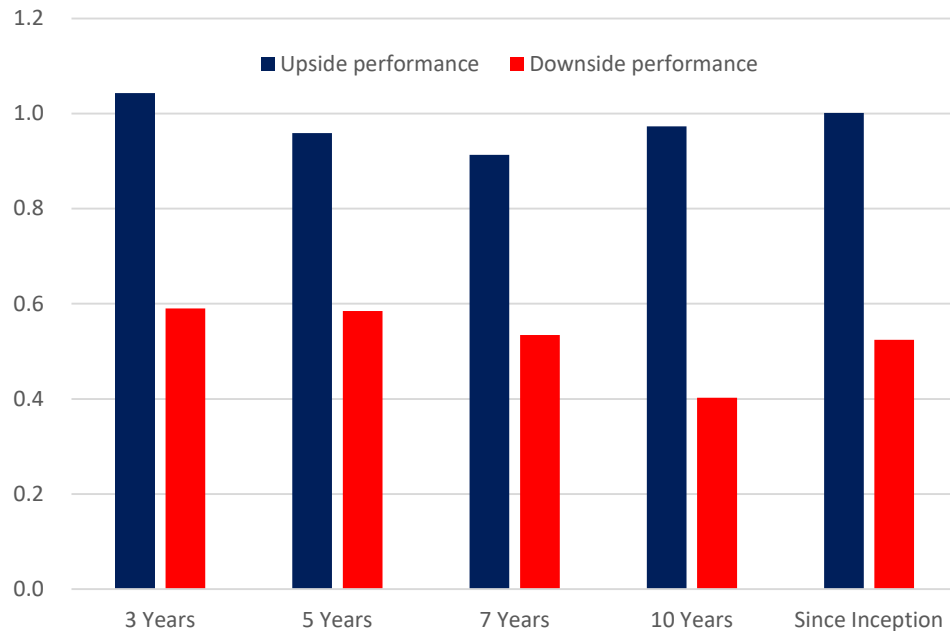
	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.) ¹
Magellan Global Fund	9.0	15.3	12.0	12.0
MSCI World NTR Index (\$A)	4.8	10.6	9.3	6.3
Magellan Infrastructure Fund	-8.9	4.3	7.7	7.6
Global Listed Infrastructure Benchmark (\$A) ²	-16.2	-1.4	2.6	4.2
Magellan High Conviction Fund	6.1	12.6	11.2	14.7
Airlie Australian Share Fund	1.6	-	-	4.6
S&P/ASX 200 Accum. Index	-7.7	-	-	3.0

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

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

Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Source: MSCI, UBS, S&P, Bloomberg, Magellan Asset Management Limited.

Global Equities Downside Protection



Since inception the strategy has captured approx. 100% of up markets and 50% of down markets...

Event	Dates	MSCI World Net Total Return (%)	MGF Fund (%)*	Value Added (%)
Sub-Prime/Bear Stearns	July 2007 – March 2008	-9.2	-1.9	7.3
Lehman/AIG/Reserve Primary	Sept 2008 – Feb 2009	-43.6	-30.7	12.9
Euro Crisis	July 2011 – July 2012	-3.8	15.8	19.6
Trade/Monetary Policy	Oct 2018 – Dec 2018	-13.4	-9.3	4.1
COVID-19 Pandemic	Feb 2020 – Mar 2020	-20.6	-15.2	5.4

... and has significantly protected capital in adverse events

As at 30 June 2020. Source: Bloomberg, Magellan Asset Management Limited. The market capture information above is based on the Magellan Global Fund. 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) in USD relative to the MSCI World Net TR Index using rolling 3 month returns. Inception date 1 July 2007. Downside capture shows if a fund has outperformed a benchmark during periods of market weakness, and if so, by how much. Upside capture shows if a fund has outperformed a benchmark during periods of market strength, and if so, by how much. *Performance data is shown in USD is inclusive of dates mentioned above, before fees and not annualised. 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).

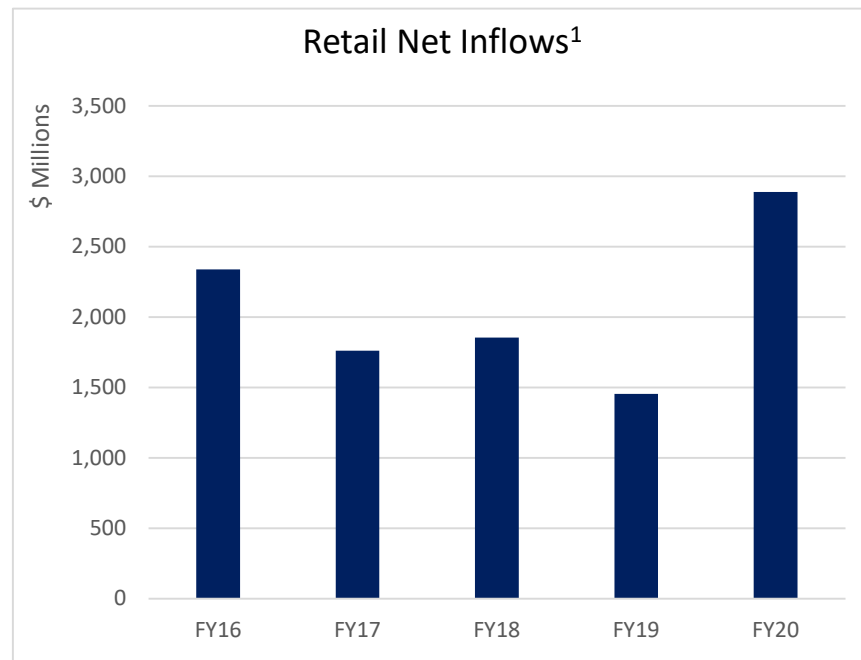
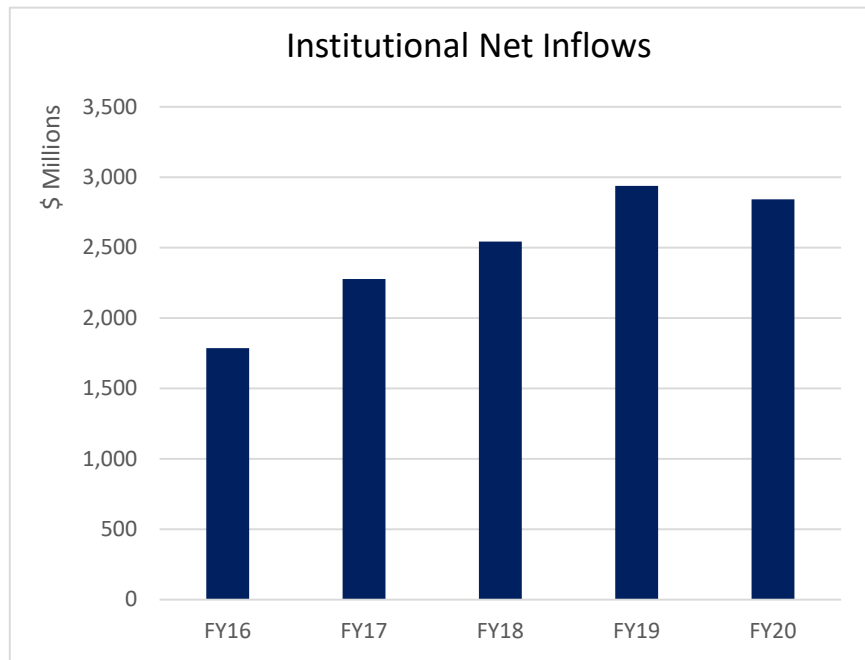
Global Infrastructure Downside Protection

5 years ending 30 June 2020, AUD Hedged	Magellan Infrastructure Fund	Global Listed Infrastructure Benchmark ¹
Downside Capture Relative to MSCI World NTR Index	0.3	0.7
Upside Capture Relative to MSCI World NTR Index	0.6	0.6

As at 30 June 2020.

1. The Global Listed Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities Index NTR Index (Hedged in AUD) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (Hedged in AUD). Performance for the Magellan Infrastructure Fund is based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable)

FY20 FUM Flows



Total net inflows for the 12 months ended 30 June 2020: \$5.7 billion

1. Includes proceeds of the Magellan Global Trust IPO (FY18) and UPP (FY19) and Magellan High Conviction Trust IPO (FY20)

Funds Under Management

As at 30 June 2020 (\$ billion)

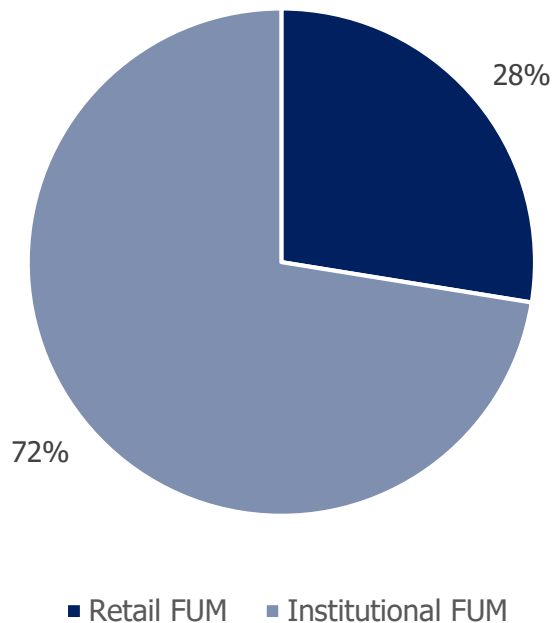
Strategy	30 June 2019	Net Inflows	Investment Performance	30 June 2020 ¹
Global Equities	64.0	4.4	6.4	74.3
Global Listed Infrastructure	15.2	1.7	-0.9	15.9
Australian Equities	7.5	-0.4	-0.1	7.0
	86.7	5.7	5.4	97.2

- Total Funds Under Management as at 30 September 2020 now \$102.1 billion.

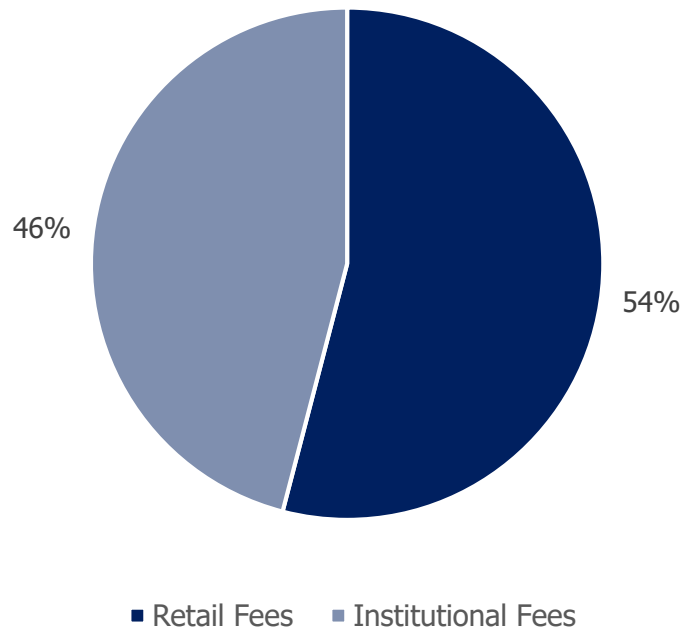
1. Reflects \$0.7 billion of net distributions paid in July 2019 and January 2020 in Magellan's funds
May not add due to rounding

Well-balanced Business

Funds Under Management¹



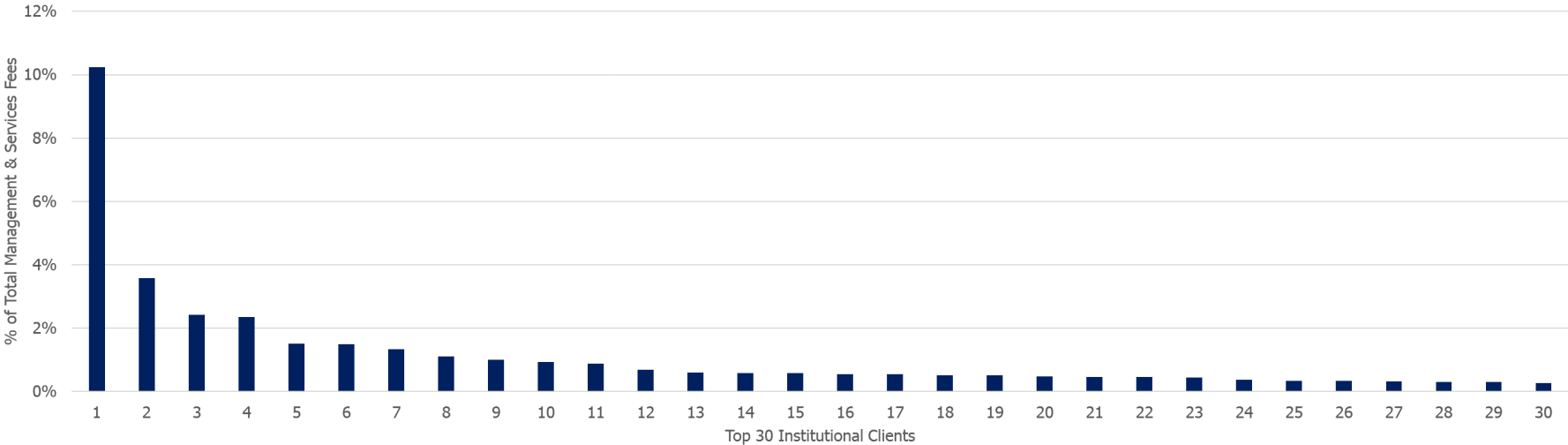
Base Fees²



1. FUM split is as at 30 June 2020.

2. Base Fees are Management and Services fees for the 12 months to 30 June 2020 and exclude Performance fees.

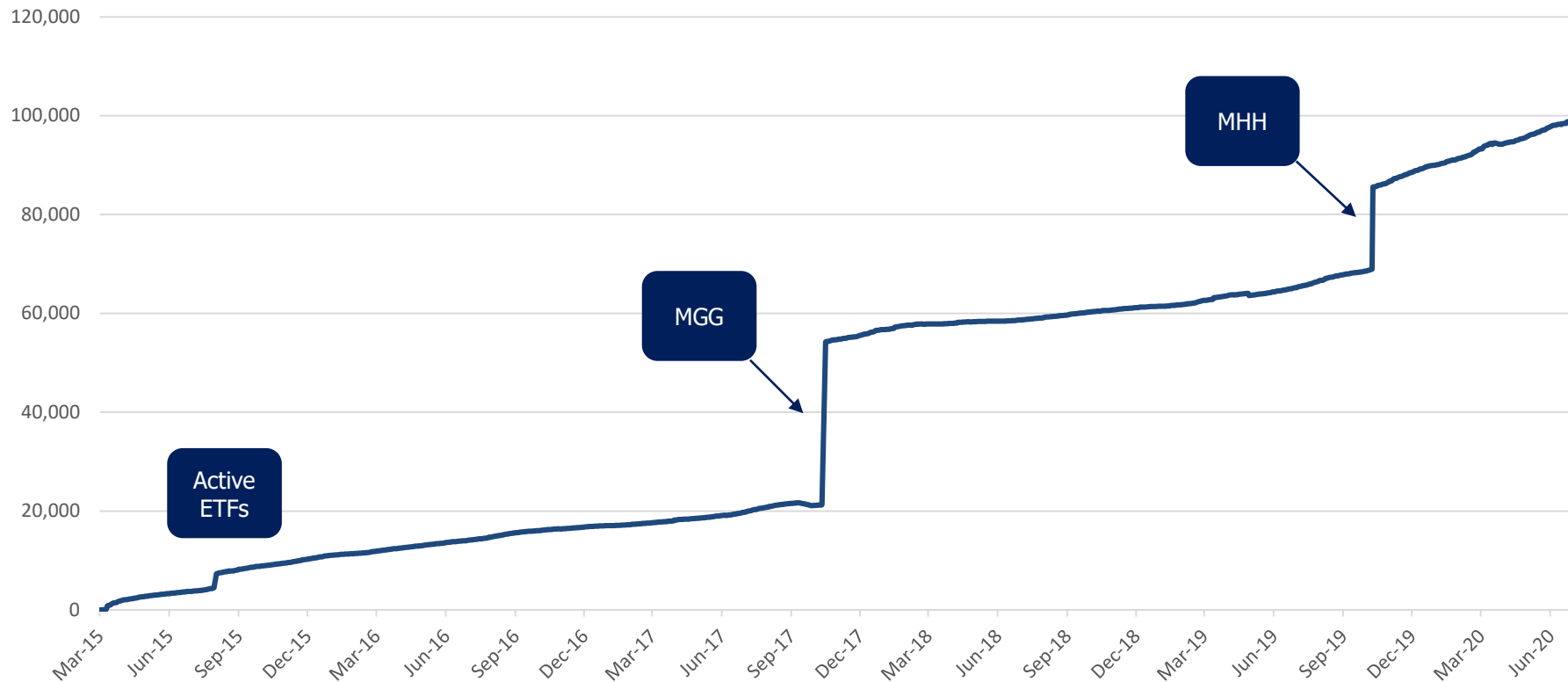
Institutional Client Diversity



Cumulative Total Management and Services Fees				
Top Institutional Clients	5	10	20	30
%	20	26	32	35

1. Management and services fees for the 12 months to 30 June 2020 for separately managed accounts and institutional investors in local and offshore vehicles. Excludes Performance fees.

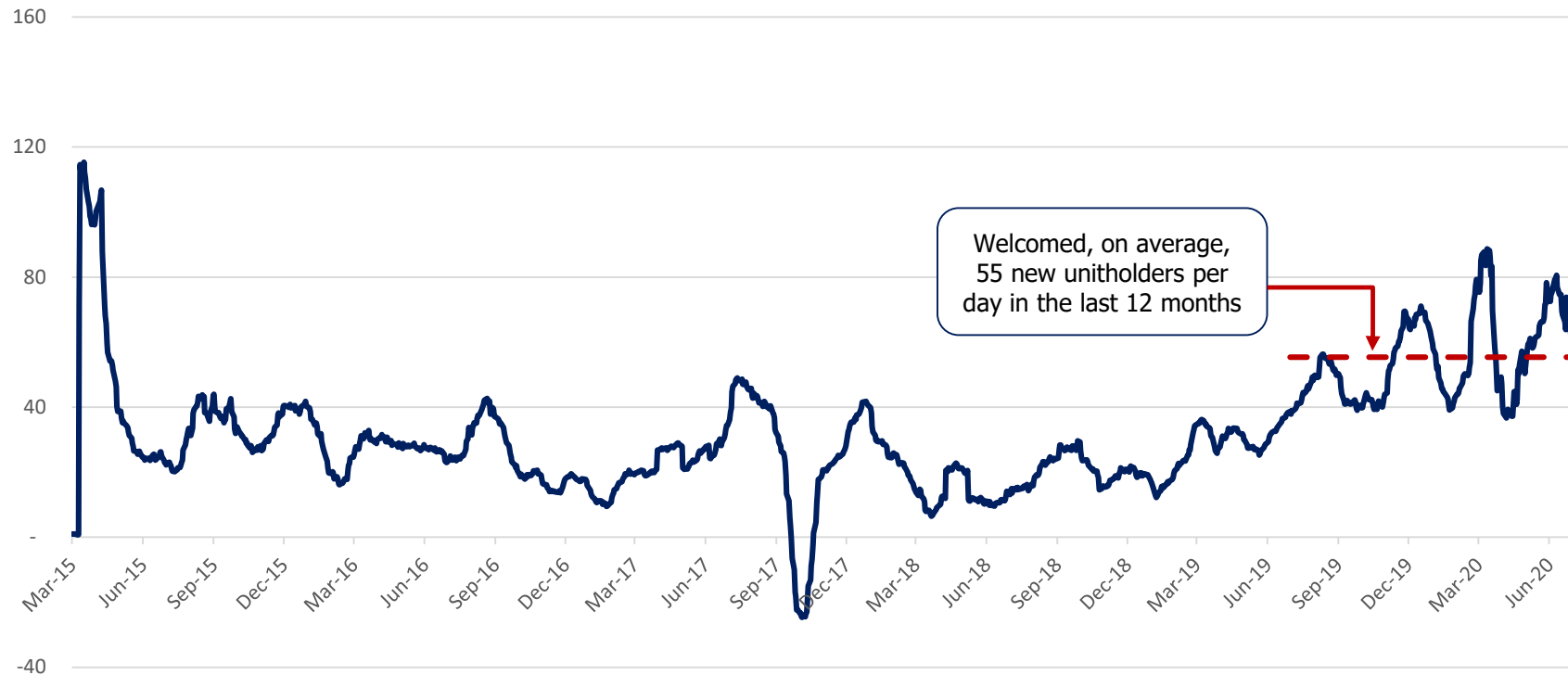
Listed Unitholder Growth



Number of registered unitholders across Magellan Global Equities Fund (ASX: MGE), Magellan Global Equities Fund (Currency Hedged) (ASX:MHG), Magellan Infrastructure Fund (Currency Hedged) (ASX: MICH), Magellan Global Trust (ASX: MGG), Magellan High Conviction Trust (ASX: MHH) and Airlie Australian Share Fund (ASX: AASF) to 30 June 2020

Active ETF Daily Unitholder Change

20-day rolling average



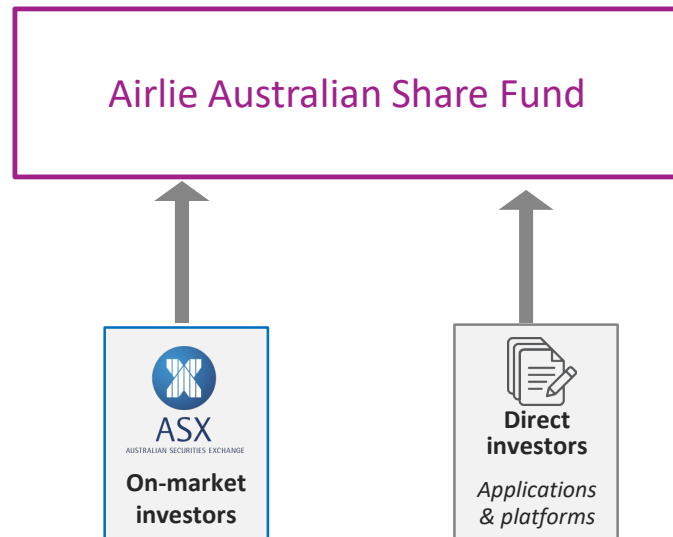
20-day rolling average change in the number of registered unitholders across Magellan Global Equities Fund (ASX: MGE), Magellan Global Equities Fund (Currency Hedged) (ASX:MHG), Magellan Infrastructure Fund (Currency Hedged) (ASX: MICH) and Airlie Australian Share Fund (ASX: AASF) to 30 June 2020

Magellan High Conviction Trust

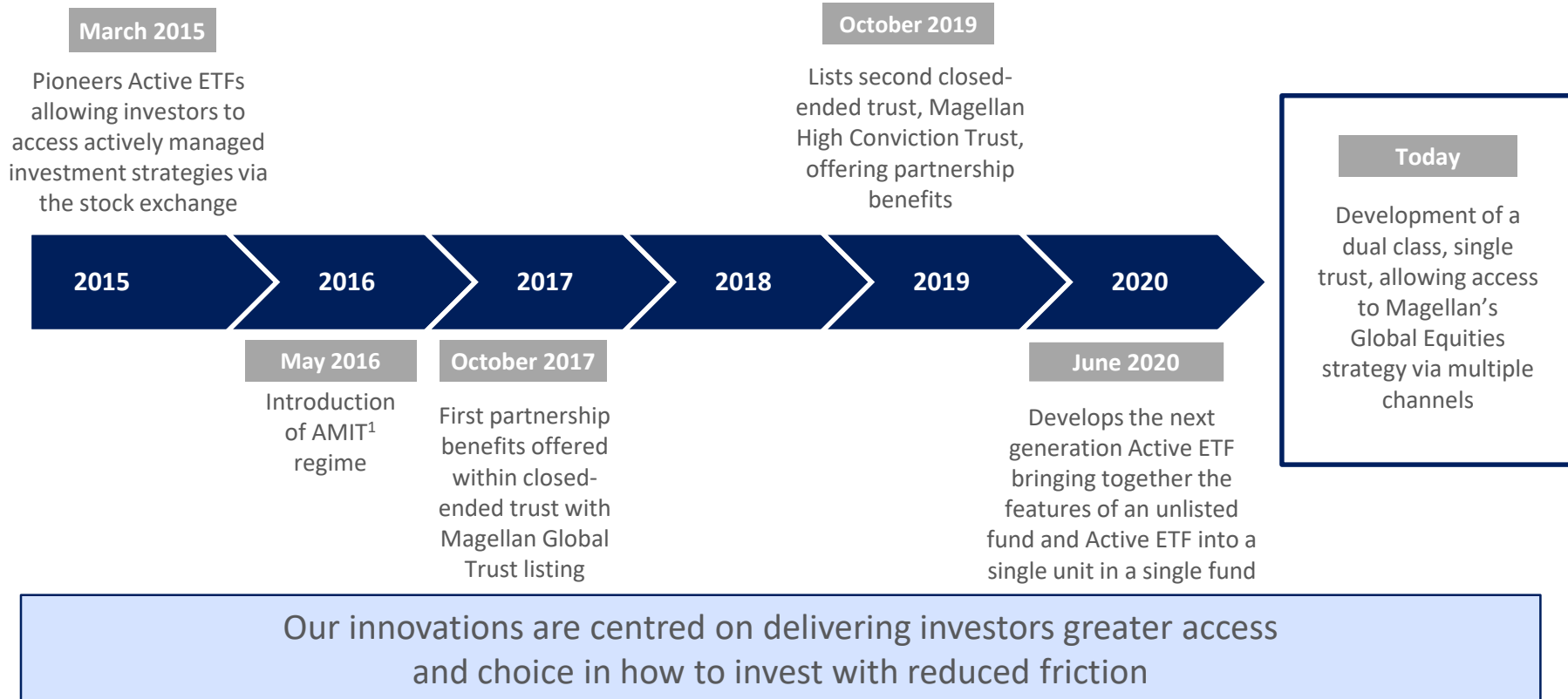
- Raised \$862 million in October 2019 from the IPO of Magellan High Conviction Trust (“MHH”)
- Magellan funded all the costs of the offer including partnership benefits of:
 - Loyalty Units worth 7.5% of subscription under Priority Offer
 - IPO Foundation Units worth 2.5% of subscription under General Public Offer
- Material one off costs in FY20 – net pre-tax costs relating to the offer totalled \$53.4 million
- View this cost as investment in building FUM and underpinning our partnership approach
 - Excluded from Funds Management business
 - Excluded from dividend payout

Airlie Australian Share Fund

- In June 2020, Airlie Australian Share Fund commenced trading on ASX (ASX: AASF)
- Brings together the features of an unlisted fund and Active ETF into a single unit in a single fund
- Investors can access the fund through two different methods
 - Buy/sell on-market through their stockbroker
 - Apply/redeem directly with the Responsible Entity
- Offers investors greater choice and flexibility in how they invest and eliminates the need for two separate funds



The Journey to Today

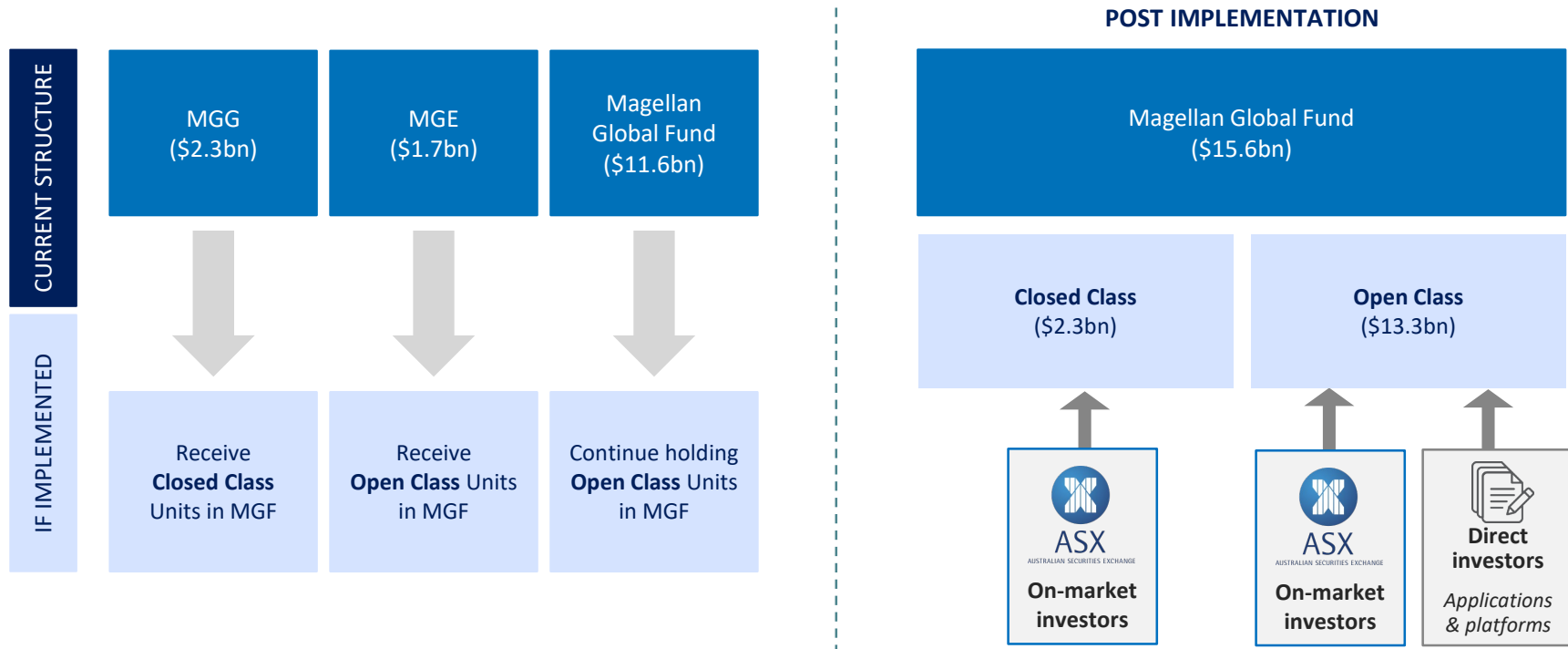


1. Attribution Managed Investment Trust

Restructure of Global Equities Retail Funds

- Consolidation of three Global Equities funds into a single trust with two unit classes:
 - Closed Class Units quoted on ASX under the ASX Listing Rules
 - Open Class Units quoted on ASX under the AQUA Rules and off market access
- Simplifies investment proposition whilst allowing investors greater flexibility in accessing Magellan's flagship investment strategy
- Potential for more efficient secondary trading in Closed Class Units
- Extension of progress Magellan has made to provide retail investors greater access and choice in how to invest with reduced friction
- Logical next step given recent innovations
- Unitholder meetings expected late November 2020

Restructure of Global Equities Retail Funds (cont'd)



Actual funds under management will change over time and the amount may be more or less at the time of implementation

Restructure Partnership Benefits

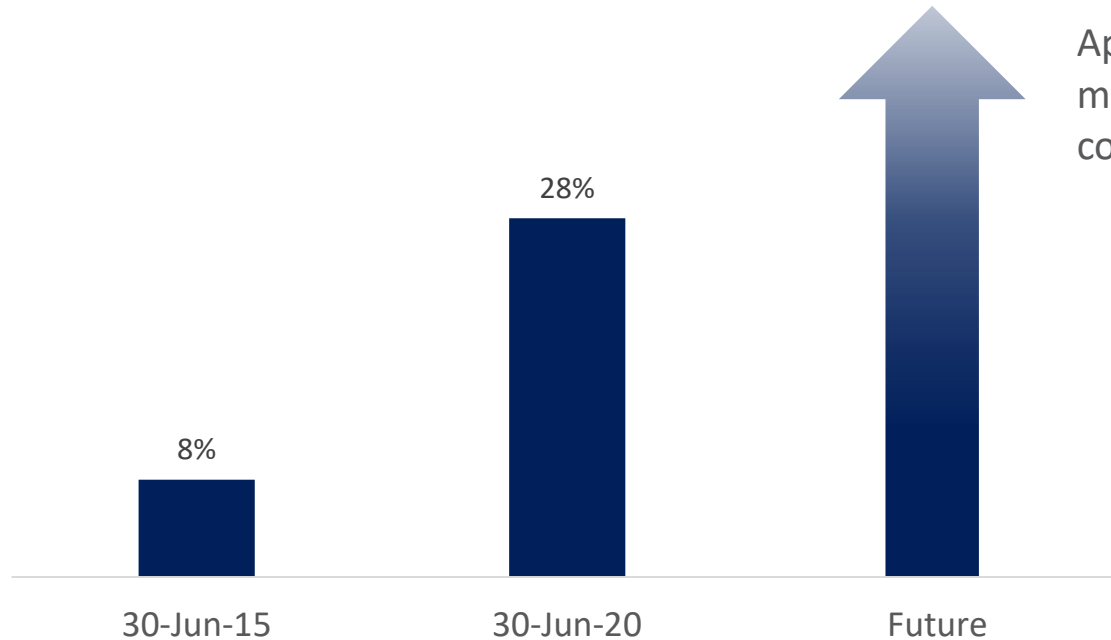
- Offering all unitholders in the Magellan Global Fund partnership benefits
- Subject to the implementation of the restructure, intend to undertake capital raising and bonus options issue in Magellan Global Fund:
 - \$1-for-\$4 Entitlement Offer to all Magellan Global Fund unitholders to subscribe for Closed Class Units and receive additional Closed Class Units worth 7.5% of subscription value in partnership with Magellan. Closed Class Units issued under the capital raising will also have an attached option; and
 - Separate bonus option issue to all Closed Class unitholders on 1-for-2 pro rata basis allowing option holders to subscribe for Closed Class Units at a 7.5% discount to NAV
- All partnership benefits and restructure costs funded by Magellan, not Magellan Global Fund or its unitholders
- Magellan to fund via existing financial resources and a corporate debt facility

The Entitlement Offer and issue of bonus options are subject to the successful implementation of the Restructure and regulatory approvals. A product disclosure statement ('PDS') will be lodged with ASIC by Magellan Global Fund, as issuer, and made available to Eligible MGF Unitholders at the time the Entitlement Offer is expected to be made in January 2021. Once available, Eligible MGF Unitholders will need to consider the PDS in deciding whether or not to subscribe for Closed Class Units and options in the Magellan Global Fund. Record dates for participation will be set, in consultation with the ASX, at the time the Entitlement Offer is formally undertaken.

Business Resilience and Diversification

- Magellan has been progressively pursuing a strategy to diversify its revenue stream:
 - Ongoing growth of our infrastructure business: \$15.9 billion of FUM
 - Direct retail strategy: launch of Active ETFs in 2015 – 42,000 individual unitholders and \$2.6 billion of FUM
 - Acquisition of Airlie in 2018: \$7.0 billion of FUM
 - Closed-ended LITs (Magellan High Conviction Trust and Magellan Global Trust): \$3.2 billion of FUM and ongoing partnership approach
 - Restructure of Global Equities retail funds
 - Launch of MFG Core Series for retail investors
 - Launch of sustainable strategies
 - Intention to launch retirement income product

Business Resilience and Diversification



Approximately 28% of Magellan's total management and services fees are contributed by:

- Infrastructure
- Global Equities Active ETFs – non platform¹
- Airlie
- Closed-ended funds

1. Excludes an estimate of Magellan Global Equities Fund (ASX:MGE) and Magellan Global Equities Fund (Currency Hedged) (ASX: MHG) that is held by platforms

MFG Core Series

- Launching a new series of investment strategies for retail investors that leverages Magellan's investment philosophy and proprietary research
- Aims to broaden Magellan's reach to areas of the market that are more fee conscious
- MFG Core Series offers investors diversified portfolios of high quality companies based on Magellan's research DNA



MFG Core Series

- MFG Core Series will leverage Magellan core research strength with three investment strategies:
 - MFG Core International Fund
 - MFG Core ESG Fund
 - MFG Core Infrastructure Fund
- Portfolios are actively constructed and are subsequently rebalanced in a systematic manner
- Attractively priced at 0.50% management fee for investors seeking a lower cost solution
- Intend to launch on Chi-X by the end of the year as an open-ended fund
- Very scalable

MFG Core Infrastructure Strategy

Investment performance

	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.)
Core Infrastructure Net (A\$)	-1.9	5.0	9.0	10.8	13.3	12.6
Global Infrastructure Benchmark	-16.2	-1.4	2.6	6.2	7.9	7.0

Core Infrastructure has been a strategy available to institutional holders since 2009 and currently has funds under management of \$8.2bn

Returns are for the Magellan Core Infrastructure Fund. The inception date is 17 December 2009 (inclusive). The Global Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities NTR Index (AUD Hedged) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (AUD Hedged). Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns are denoted in AUD.

Other Initiatives

Magellan Sustainable Fund

- Intend to make Magellan's Global Sustainable strategy available to retail investors by the end of the year

Retirement income

- Received private binding ruling from the ATO
- Continuing discussions with other regulators
- Seeking to launch once necessary approvals have been obtained

Principal Investments

- We view investments in our Principal Investments portfolio as either:
 - Internal investments: investments in our funds that provide alignment with our clients and allow for seeding of new strategies
 - External investments: investments outside Magellan's funds management business that meet certain criteria including scale, contribution of intellectual capital and no management distractions
- The Board has set a pre-tax hurdle of 10% p.a. (over business cycle) for the Principal Investments portfolio

Principal Investments (cont.)

Internal investments

To date our Principal Investments predominantly comprised internal investments

Principal Investment portfolio:

Investment (\$ million)	30 June 2020	30 June 2019
Cash	1.4	4.6
Magellan Unlisted Funds ¹	258.3	213.4
Listed shares/funds ²	137.8	125.7
Other ³	7.4	3.8
Total	404.9	347.5
Net deferred tax ⁴	(31.2)	(24.4)
Net principal investments	373.7	323.1
Net principal investments per share (cents) ⁵	205.0	182.5

Investment Returns:

Time Period	Return
1 Year to 30 June 2020	6.5%
3 Years to 30 June 2020 p.a.	13.6%
5 Years to 30 June 2020 p.a.	11.4%
Since Inception to 30 June 2020 p.a. ⁶	10.9%

1. Magellan Unlisted Funds as outlined in Note 12 of the Financial Statements; 2. Listed shares/funds include seed portfolios and Magellan's listed funds (as outlined in Note 12 of the Financial Statements) excluding receivables/payables (refer to footnote 3); 3. "Other" comprises receivable/payables and unlisted funds and shares; 4. Net deferred tax liability arising from changes in the fair value of financial assets offset by the deferred tax asset relating to the unused tax loss arising on issuance of loyalty units to unitholders under the Magellan Global Trust priority offer; 5. Based on the aggregate of 182,280,222 ordinary shares on issue at 30 June 2020 (at 30 June 2019, it is based on 177,087,458 ordinary shares). 6. Return excludes previous investment in MFF Capital Investments Limited. Inception date of 1 July 2007

Principal Investments (cont.)

External investments

Criteria		Recent examples	
1	High quality management teams <ul style="list-style-type: none">• No operational involvement by Magellan• No distraction from our funds management business	Barrenjoey Capital Partners	<ul style="list-style-type: none">• \$155m investment (40% economic stake) in newly established full service financial services firm
2	High quality companies with meaningful scale in their sector		
3	Contributes to the intellectual capital of the business and provides meaningful optionality	FinClear	<ul style="list-style-type: none">• Provider of technology, trading infrastructure and ASX market-access services• Signed subscription agreement for \$20m investment for minority interest• Completion expected within weeks
4	Strong financial returns		

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