

21 October 2020

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MAGELLAN ASSET MANAGEMENT LIMITED
EXPLANATORY MEMORANDUM REGISTERED WITH ASIC

Magellan Asset Management Limited as responsible entity of Magellan Global Trust (ASX: MGG) ("Magellan") is pleased to announce that the Australian Securities and Investments Commission has registered the Notice of Meeting and Explanatory Memorandum ("Explanatory Memorandum") in relation to the trust scheme for MGG ("MGG Trust Scheme") which forms part of the proposed restructure and simplification of Magellan's Global Equities retail funds previously announced on 3 August 2020 ("Restructure").

This follows the issuance of orders by the Supreme Court of New South Wales approving the despatch of the Explanatory Memorandum to MGG unitholders and the convening of a meeting of MGG unitholders to consider and vote on the MGG Trust Scheme ("Meeting") at 12.00pm on Wednesday, 25 November 2020.

Explanatory Memorandum

Detailed information about the Restructure and MGG Trust Scheme, including the reasons for the recommendation of the Magellan Directors, a copy of the Independent Expert's Report, and the formal notice convening the Meeting, is included in the Explanatory Memorandum. A copy of the Explanatory Memorandum is attached to this announcement and is available at www.magellanfundrestructure.com.au.

A notice to MGG unitholders will be despatched on or around 22 October 2020 in accordance with their elected notification preference. Proxy voting will open following the despatch of the notice.

MGG unitholders are encouraged to read the Explanatory Memorandum, including the Independent Expert's Report, in full.

Magellan Directors' recommendation and conclusion of Independent Expert

The Magellan Directors unanimously recommend that MGG unitholders vote in favour of the resolutions to be considered at the Meeting. Each Magellan Director intends to vote, or cause to be voted, any MGG units that he or she holds or controls in favour of the MGG Trust Scheme.

Lonergan Edwards & Associates Limited, the independent expert appointed by Magellan to review the proposed Restructure and MGG Trust Scheme ("Independent Expert"), has concluded that the MGG Trust Scheme is fair and reasonable and in the best interests of MGG unitholders, in the absence of a superior proposal.

Distribution update

As a result of the timing of the MGG Trust Scheme, Magellan intends to pay the announced Target Cash Distribution of 3.58 cents for the six months ending 31 December 2020 on 19 November 2020, prior to implementation of the MGG Trust Scheme. The record date for the distribution is expected to be 6 November 2020.

MGF Partnership Offer and Bonus MGF Option Issue

The Explanatory Memorandum contains further details of the proposed MGF Partnership Offer and the Bonus MGF Option Issue that are intended to be launched in January 2021 should the Restructure proceed.

To be eligible to participate in the MGF Partnership Offer, you must be a unitholder in Magellan Global Fund on the record date of 8 December 2020. MGG unitholders who receive Closed Class Units in Magellan Global Fund on the Implementation Date under the MGG Trust Scheme will be eligible to participate. Your entitlement under the MGF Partnership Offer will be determined on the Calculation Date which is expected to be 8 January 2021.

To be eligible to participate in the proposed Bonus MGF Option Issue, you must be a Closed Class Unitholder in Magellan Global Fund on the record date determined by Magellan, expected to be 26 February 2021.

Product disclosure statements in respect of the MGF Partnership Offer and Bonus MGF Option Issue are expected to be lodged with ASIC in January 2021.

Key dates

The key dates in relation to the Restructure and the MGG Trust Scheme are set out in the Explanatory Memorandum and include:

Key Dates	
Date of the Explanatory Memorandum	Wednesday, 21 October 2020
Date of despatch of the Notice of Meeting and the Explanatory Memorandum to MGG Unitholders	Thursday, 22 October 2020
Record date for MGG distribution	Friday, 6 November 2020
Payment date for MGG distribution	Thursday, 19 November 2020
Time and date by which Proxy Forms must be received	9.00am Monday, 23 November 2020
Voting Record Date	7.00pm Monday, 23 November 2020
Time and date of the Meeting	12.00pm Wednesday, 25 November 2020
<i>If the MGG Trust Scheme is approved by MGG Unitholders and all other Conditions Precedent in connection with the MGG Trust Scheme are fulfilled or waived, the following key dates apply:</i>	
Second Judicial Advice Date	Thursday, 26 November 2020
Effective Date	Friday, 27 November 2020
Suspension of MGG Units from trading on ASX	Close of business on Friday, 27 November 2020
Closed Class Units commence trading on ASX on a deferred settlement basis	12pm on Monday, 30 November 2020
MGG Trust Scheme Record Date	Tuesday, 1 December 2020
Implementation Date	Tuesday, 8 December 2020
Normal trading in Closed Class Units commences	Wednesday, 9 December 2020

If the Restructure is implemented, the following key dates are expected to apply to the proposed MGF Partnership Offer:

Record date for MGF Partnership Offer	Tuesday, 8 December 2020
MGF Partnership Offer Calculation Date	Friday, 8 January 2021
Expected MGF Partnership Offer opening date	Monday, 18 January 2021
Expected MGF Partnership Offer closing date	Tuesday, 23 February 2021
Bonus MGF Option Issue Record Date	Friday, 26 February 2021
Expected date for the allotment of Closed Class Units and MGF Options under the MGF Partnership Offer and Bonus MGF Option Issue	Monday, 1 March 2021

* Dates are indicative only and are subject to change.

Further information

If, after reading the Explanatory Memorandum, you have any questions regarding the Restructure or the MGG Trust Scheme, please call the MGG Unitholder Information Line on 1300 005 016 (Australia) or +61 2 9290 9600 (International), between 8.15am and 5.30pm Monday to Friday (Sydney time), or consult your legal, investment or other professional adviser.

Authorised by

Marcia Venegas | Company Secretary

About the Magellan Global Trust

The Trust offers investors an opportunity to invest in a specialised and focused global equity fund that invests in the securities of companies listed on stock exchanges around the world and aims to deliver investors a cash distribution yield of 4% per annum. The Trust's portfolio will comprise between 15 to 35 stocks at any one time but will also have some exposure to cash. The primary objectives of the Trust are to achieve attractive risk-adjusted returns over the medium to long-term, while reducing the risk of permanent capital loss. The Trust may also manage its foreign currency exposure arising from investments in overseas markets.

Magellan Global Trust

ARSN 620 753 728

Notice of Meeting and Explanatory Memorandum

In relation to the proposed acquisition by Magellan Asset Management Limited (ACN 120 593 946) (**Magellan**) as responsible entity of Magellan Global Fund of all of the issued securities of Magellan Global Trust (**MGG**).

Details of Meeting

Time: 12.00pm (Sydney time)

Date: 25 November 2020

VOTE IN FAVOUR

The Directors of Magellan, the responsible entity of Magellan Global Trust, **RECOMMEND** that MGG Unitholders vote **IN FAVOUR OF** the MGG Trust Scheme Resolutions, in the absence of a Superior Proposal.

The Independent Expert has determined that the MGG Trust Scheme is fair and reasonable and in the best interests of MGG Unitholders in the absence of a Superior Proposal.

This is an important document and requires your immediate attention. It explains the MGG Trust Scheme, and is a product disclosure statement for the securities that may be issued by Magellan as responsible entity of Magellan Global Fund (ARSN 126 366 961). You should read the whole document in its entirety before deciding how to vote. If you are in any doubt about how to deal with this document, you should consult your legal, investment or other professional adviser.

Important Notices & Disclaimer

General

This Explanatory Memorandum is important and requires your immediate attention. You should read this Explanatory Memorandum in full before making any decision as to how to vote at the Meeting. If you have sold all of your MGG Units, please ignore this Explanatory Memorandum.

If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

Purpose of this document

This Explanatory Memorandum has been prepared for MGG Unitholders in connection with the extraordinary general meeting to be held at 12.00pm (Sydney time), on 25 November 2020 in relation to the trust scheme under which all of the MGG Units on issue will be transferred to Magellan Global Fund RE (the MGG Trust Scheme). The purpose of this Explanatory Memorandum is to provide MGG Unitholders with information about the Restructure, and the MGG Trust Scheme in particular, and with information that is prescribed by law or which the Directors believe to be material to deciding whether or not to approve the MGG Trust Scheme Resolutions detailed in the Notice of Meeting included as Schedule 1 to this Explanatory Memorandum.

Magellan Global Fund RE is offering Magellan Global Fund Closed Class Units as consideration under the MGG Trust Scheme as part of the implementation of the MGG Trust Scheme. Accordingly, this Explanatory Memorandum is also a product disclosure statement issued by Magellan Global Fund RE under Part 7.9 of the Corporations Act in respect of the Magellan Global Fund Closed Class Units. Before making any decision about whether to vote in favour of the MGG Trust Scheme Resolutions, you should read this Explanatory Memorandum in full.

Lodgement and listing

A copy of this Explanatory Memorandum was lodged with ASIC on 21 October 2020.

Magellan will apply to ASX no later than seven days after the date of the first issue of Closed Class Units for admission to the official list of ASX. This time period is modified by ASIC relief.

Application has been made to admit the Open Class Units to trading status on the ASX under the AQUA Rules. The AQUA Rules form part of the ASX Operating Rules. Neither ASIC, ASX nor their officers take any responsibility for the contents of this Explanatory Memorandum. Admission to the official list of ASX or to trading status on the ASX under the AQUA Rules is in no way an indication of the merits of Magellan Global Fund.

Court involvement

The Court provided the First Judicial Advice on 20 October 2020. The Court's provision of the First Judicial Advice is not and should not be treated as an endorsement by the Court of, or any other expression of opinion by the Court on, the MGG Trust Scheme. In particular, the Court's provision of the First Judicial Advice does not mean that the Court:

- has formed any view as to the merits of the MGG Trust Scheme or as to how MGG Unitholders should vote (on these matters MGG Unitholders must reach their own decision); or
- has prepared, or is responsible for, the content of this Explanatory Memorandum.

Notice of Second Judicial Advice hearing

On the Second Judicial Advice Date, the Court will consider whether to give the Second Judicial Advice following the vote at the Meeting.

Any MGG Unitholder may appear at the Second Judicial Advice hearing, expected to be held on 26 November 2020 at the Supreme Court of New South Wales, 184 Phillip Street, Sydney (or virtually, as required in accordance with any COVID-19 related requirements or recommendations).

It is possible that, because of restrictions imposed in response to the COVID-19 pandemic, that the hearing will be conducted by remote access technology, including "Microsoft Teams" or telephone conferencing. An MGG Unitholder seeking to view the hearing should review the Supreme Court list (available at http://www.supremecourt.justice.nsw.gov.au/Pages/sco2_courtlists/sco2_courtlists.aspx) for details of the hearing and how to view it. The Court's list is usually available by 3.30pm the day before the hearing. Alternatively, you may wish to contact the Supreme Court registry on 1300 679 272 to obtain the details of the hearing.

Any MGG Unitholder who wishes to oppose the Second Judicial Advice at the Second Judicial Advice hearing may do so by filing with the Court and serving on the responsible entity of MGG a notice of appearance in the prescribed form together with any affidavit that the MGG Unitholder proposes to rely on.

The address for service is: c/o MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place Sydney NSW 2000, Attention: Michael Hughes.

Responsible entity

Magellan is the responsible entity of MGG. MGG is a managed investment scheme registered under Chapter 5C of the Corporations Act.

Magellan is the responsible entity of Magellan Global Fund. Magellan Global Fund is a managed investment scheme registered under Chapter 5C of the Corporations Act.

Unless the context otherwise requires in this Explanatory Memorandum, a reference to MGG RE is a reference to Magellan in its capacity as responsible entity of MGG and a reference to Magellan Global Fund RE is a reference to Magellan in its capacity as responsible entity of the Magellan Global Fund.

Glossary

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary in Section 13.

MGG Partnership Offer

The MGG Partnership Offer is subject to the successful implementation of the Restructure and regulatory approvals. Product disclosure statements will be lodged with ASIC by Magellan Global Fund RE, as issuer, and made available to eligible Magellan Global Fund Unitholders at the time the MGG Partnership Offer is launched, expected to be in January 2021. Once available, eligible Magellan Global Fund Unitholders will need to consider the product disclosure statements in deciding whether or not to subscribe for Closed Class Units and MGG Options. Record dates for participation will be set, in consultation with the ASX, at the time the MGG Partnership Offer is formally undertaken.

No investment advice

This Explanatory Memorandum contains general financial product advice only and has been prepared without taking account of the investment objectives, financial situation, tax position or particular needs of any MGG Unitholder or any other person. The information and recommendations contained in this Explanatory Memorandum and the Taxation Report in Section 11 of this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice.

Before acting on any of the matters described in this Explanatory Memorandum, you should have regard to your investment objectives, financial situation, tax position or particular needs and obtain your own advice by contacting your legal, investment or other professional adviser.

An investment in Magellan Global Fund is subject to investment and other risks, including possible loss of income and principal invested. Magellan Global Fund RE gives no guarantee or assurance as to the performance of Magellan Global Fund, the Magellan Global Fund Units or the repayment of capital.

Forward looking statements

Some of the statements appearing in this Explanatory Memorandum may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Explanatory Memorandum (including in the Independent Expert's Report) should not be taken to be a forecast or prediction that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words.

Similarly, statements that describe the objectives, plans, goals or expectations of MGG or MGF (as the case may be) are or may be forward looking statements. You should be aware that such statements are subject to inherent risks and uncertainties.

Those risks and uncertainties include factors and risks specific to the circumstances in which MGG or MGF (as the case may be) operates, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected.

Neither MGG RE, Magellan Global Fund RE nor their respective officers, agents or advisers, or any person named in this Explanatory Memorandum or involved in the preparation of this Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

This Explanatory Memorandum also contains forward looking statements based on the current expectations of MGG RE and Magellan Global Fund RE about future events. The prospective information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective information.

Factors which may affect future financial performance and financial position include those matters identified in Section 9, the assumptions underlying any forecast or forward looking statement, financial information not proving correct and other matters not currently known to, or considered by, MGG RE or Magellan Global Fund RE. MGG Unitholders should note that the historical financial performance of MGG or Magellan Global Fund is no assurance or indicator of future financial performance of Magellan Global Fund or MGG (whether or not the MGG Trust Scheme proceeds).

Important Notices & Disclaimer

Neither MGG RE nor Magellan Global Fund RE guarantee any particular rate of return or the performance of MGG or Magellan Global Fund nor do they guarantee the repayment of capital or any particular tax treatment in respect of any investment in MGG or Magellan Global Fund. The pro forma historical financial information provided in this Explanatory Memorandum is for illustrative purposes only and is not represented as being indicative of MGG RE's or Magellan Global Fund RE's views on future financial conditions and/or performance.

The forward looking statements in this Explanatory Memorandum reflect facts, circumstances and views held only at the date of this Explanatory Memorandum. Subject to any continuing obligations under the Corporations Act, MGG RE and Magellan Global Fund RE nor their respective officers, employees, agents and advisers disclaim any obligation or undertaking to distribute after the date of this Explanatory Memorandum any updates or revisions to any forward-looking statements to reflect any change in expectations in relation to them or any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

Except as outlined below, the information contained in this Explanatory Memorandum other than the Magellan Global Fund Information, the Taxation Report, the Independent Limited Assurance Report and the Independent Expert's Report has been prepared by MGG RE and is its responsibility alone. Except as outlined below, neither MGG RE nor any of its Controlled Entities, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

Magellan Global Fund RE has prepared and provided the Magellan Global Fund Information and is responsible for that information. Neither MGG RE, nor any of their respective Controlled Entities, directors, officers, agents or advisers assume any responsibility for the accuracy or completeness of the Magellan Global Fund Information.

Loneragan Edwards & Associates Limited has prepared the Independent Expert's Report (as set out in Schedule 2 to this Explanatory Memorandum) and takes responsibility for that report.

Allens has prepared the Taxation Report (as set out in Section 11 of this Explanatory Memorandum) and takes responsibility for that report.

Ernst & Young has prepared the Independent Limited Assurance Report (as set out in Schedule 5 of this Explanatory Memorandum) and takes responsibility for that report.

No consenting party has withdrawn their consent to be named before the date of this Explanatory Memorandum.

Foreign jurisdictions

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Explanatory Memorandum and the MGG Trust Scheme does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

MGG Unitholders who are nominees, trustees or custodians should seek independent advice as to how they should proceed.

This Explanatory Memorandum has been prepared in accordance with laws of the Commonwealth of Australia and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations of jurisdictions outside Australia.

This Explanatory Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, the Magellan Global Fund Units in the United States or in any jurisdiction in which such an offer would be illegal. None of the Magellan Global Fund Units have been, or will be, registered under the U.S. Securities Act of 1933, as amended, or under the securities laws of any state or other jurisdiction of the United States, and none of such Magellan Global Fund Units may be offered or sold, directly or indirectly, in the United States.

Privacy

MGG RE may collect personal information in the process of implementing the MGG Trust Scheme. The type of information that they may collect about you includes your name, contact details and information on your unitholding in MGG and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Meeting, as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist MGG RE to conduct the Meeting and to implement the MGG Trust Scheme. Without this information, MGG RE may be hindered in its ability to issue this Explanatory Memorandum and implement the MGG Trust Scheme. Personal information of the type described above may be disclosed to Mainstream Fund Services Pty Ltd, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Meeting), authorised securities brokers, professional advisers, Related Bodies Corporate of MGG RE, Government Agencies, and also where disclosure is otherwise required or allowed by law.

MGG Unitholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of information about you held by MGG RE, please contact the MGG Unitholder Information Line on 1300 005 016 (Australia) or +61 2 9290 9600 (International), between 8.15am and 5.30pm Monday to Friday (Sydney time).

MGG Unitholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should ensure that they inform that person of the matters relating to the collection and use of personal information outlined above.

Under the MGG Trust Scheme, your personal information, Tax File Number and existing DRP elections (which will be taken to apply to the Magellan Global Fund DRP following implementation of the MGG Trust Scheme) will be disclosed to Magellan Global Fund RE and the Unit Registry by MGG RE on your behalf in respect of your tax affairs and DRP election. If you do not want your Tax File Number to be disclosed by MGG RE, please call the MGG Registry on 1300 005 016 (Australia) or +61 2 9290 9600 (International).

Currency and financial information

Unless stated otherwise, all references to dollars, \$, cents or c in this Explanatory Memorandum are to Australian currency.

Unless stated otherwise or implied, references to dates or years are financial year ending 30 June references. All financial and operational information contained in this Explanatory Memorandum is current as at the date of this Explanatory Memorandum unless otherwise specified.

Charts and diagrams

Any diagrams, charts, graphs and tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at 30 September 2020.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Explanatory Memorandum are subject to the effect of rounding.

Accordingly, the actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Explanatory Memorandum.

As a result, any calculations you make based on the figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Explanatory Memorandum may differ from the correct answers to those calculations.

Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

Timetable and dates

All times and dates referred to in this Explanatory Memorandum are times and dates in Sydney, Australia, unless otherwise indicated. All times and dates relating to the implementation of the MGG Trust Scheme referred to in this Explanatory Memorandum may change and, among other things, are subject to all necessary approvals from Government Agencies.

Additional information

If, after reading this Explanatory Memorandum, you have any questions regarding the Restructure or the MGG Trust Scheme, please call the MGG Unitholder Information Line on 1300 005 016 (Australia) or +61 2 9290 9600 (International), between 8.15am and 5.30pm Monday to Friday (Sydney time), or consult your legal, investment or other professional adviser.

Date of Explanatory Memorandum

This Explanatory Memorandum is dated 21 October 2020.

This Explanatory Memorandum may be updated. Any updates will be available for inspection on the website at www.magellanfundrestructure.com.au. If you access an electronic version of the Explanatory Memorandum you should ensure you download and read the entire Explanatory Memorandum.

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Letter from the Chairman

Dear Unitholder,

On 3 August 2020, Magellan Asset Management (**Magellan**) announced a restructure proposal to simplify its global equities retail product offering. The restructure proposal, should it proceed, will have the effect of combining Magellan Global Trust (**MGG**) and the Magellan Global Equities Fund (**MGE**) with the Magellan Global Fund.

On behalf of the Directors of Magellan, as responsible entity of MGG (**Directors**), I am pleased to provide you with this Explanatory Memorandum which contains details about the restructure proposal and the implications for you as an existing investor in MGG.

Overview of the Restructure

As a unitholder in MGG, your investment is managed by Magellan in accordance with MGG's investment strategy.

Should the proposed restructure be implemented, you will instead be invested in and hold units in the Magellan Global Fund and your money will be invested in accordance with our flagship global equities strategy that is managed by Hamish Douglass, the co-founder of Magellan and Chief Investment Officer (the **Global Equities Strategy**). Both MGG and the Global Equities Strategy leverage Magellan's investment philosophy and investment processes, however there are some differences between each investment mandate. A comparison of the differences is outlined in Section 7.4.

The Magellan Global Fund will have two unit classes on issue:

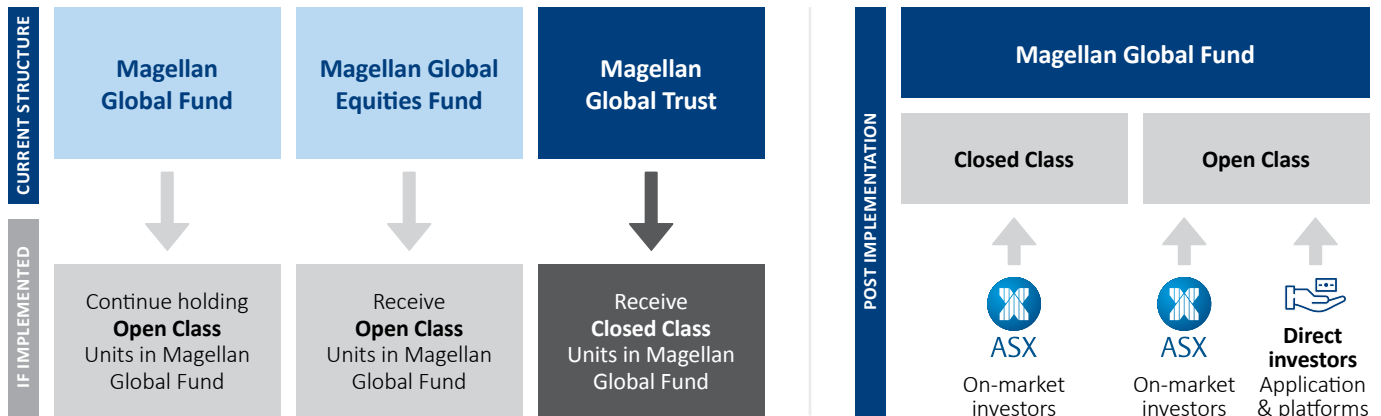
- Open Class Units, which will be quoted on the ASX under the AQUA Rules but will also allow the holders of those units to apply and redeem units directly with Magellan, in its capacity as responsible entity of Magellan Global Fund (**Magellan Global Fund RE**); and
- Closed Class Units, which will be quoted on the ASX under the ASX Listing Rules.

To effect the restructure, Magellan Global Fund is proposing to acquire all of the units in MGG and all the units in MGE by way of two separate but inter-conditional trust schemes.

As a unitholder in MGG, you will receive Closed Class Units in exchange for your existing units in MGG, with the exchange ratio based on the respective net asset values on the Effective Date. The number of Closed Class Units you receive will be equal to the number of units in MGG you hold on the MGG scheme record date. The Closed Class Units will, in many respects, look and feel similar to the units in MGG you hold today.

Separately, unitholders in MGE will be offered Open Class Units in exchange for their existing units in MGE. The terms of the Open Class Units have been designed to substantially replicate the experience of unitholders in MGE today, however unitholders in MGE will also gain the ability to apply for or redeem their investment directly with Magellan Global Fund RE.

The structure of the Magellan Global Fund following implementation of the restructure is detailed in the following diagram:



MGF Partnership Offer and Bonus MGF Option Issue

Should the restructure proceed, and subject to the necessary regulatory approvals, Magellan Global Fund RE intends to:

- Issue to all Closed Class Unitholders in Magellan Global Fund one MGF Option for every two Closed Class Units held on the Bonus MGF Option Record Date which is expected to be on 26 February 2021 (**Bonus MGF Option Issue**); and
- Offer to all unitholders in the Magellan Global Fund, following implementation of the restructure, the ability to subscribe for new Closed Class Units (**MGF Partnership Offer**). Magellan Global Fund RE expects to launch the MGF Partnership Offer in January 2021. The subscription price for the new Closed Class Units under the MGF Partnership Offer will be the NAV per Closed Class Unit on the Business Day immediately prior to their allotment. Successful applicants will also receive a valuable benefit in the form of additional Closed Class Units worth 7.5% of their subscription and a MGF Option for each new Closed Class Unit allotted.

Each MGF Option issued (both as part of the MGF Partnership Offer and Bonus MGF Option Issue) will be exercisable into one Closed Class Unit with the exercise price set at a 7.5% discount to the prevailing net asset value of Closed Class Units at the time of exercise. The MGF Options will have a three year term and be exercisable in the period commencing three months following their issue. It is intended that MGF Options will be quoted on ASX.

As part of Magellan Group's partnership approach with investors in Closed Class Units and to minimise dilution, Magellan Group will fund both the 7.5% additional Closed Class Unit partnership benefit and the 7.5% MGF Option exercise price discount.

Further details of the MGF Partnership Offer and Bonus MGF Option Issue are outlined in Sections 7.23 to 7.25.

Letter from the Chairman

MGG Trust Scheme and Magellan Directors' Recommendation

As noted above, the restructure will involve the acquisition of all of the units in MGG by Magellan Global Fund RE in exchange for Closed Class Units by way of a trust scheme (the **MGG Trust Scheme**). It is the MGG Trust Scheme that is the subject of this Explanatory Memorandum and on which MGG Unitholders are being asked to vote at a virtual Meeting proposed to be held at 12.00pm (Sydney time) on 25 November 2020.

The Notice of Meeting contained in Schedule 1 provides further details about how to vote and the arrangements for the virtual Meeting.

The Directors unanimously recommend that MGG Unitholders vote in favour of the MGG Trust Scheme in the absence of a Superior Proposal. Each Director intends to vote all MGG units held or controlled by them in favour of the MGG Trust Scheme. The Directors believe that the restructure will provide a range of meaningful benefits to MGG unitholders, including:

- the potential for greater efficiency in ASX trading of your Closed Class Units;
- the opportunity to participate in Magellan Group “partnership benefits” including the MGF Partnership Offer and Bonus MGF Option Issue; and
- an investment in Magellan Global Fund, whose investment returns have outperformed MGG since its inception in 2017, noting that past performance is not necessarily indicative of future results.

Section 3.4 of this Explanatory Memorandum provides a further explanation of the key benefits, disadvantages and risks for the MGG Trust Scheme.

When considering the recommendation of Directors, MGG Unitholders should note that Dr. Brett Cairns’ (CEO of the Magellan Group and director of MGG RE) annual short-term incentive payment takes into account, amongst a range of criteria, the delivery of key strategic projects, such as the restructure. The implementation of the restructure may contribute to the total annual short-term incentive payable to Dr. Cairns for the 2021 financial year. The maximum amount payable to Dr. Cairns, should he satisfactorily achieve all of the conditions governing the payment of his short term incentives, as a result of the delivery of key strategic projects including implementation of the restructure, is \$193,125. This matter and other interests of the MGG RE directors in relation to the restructure are set out in Sections 12.1 and 12.2. Dr. Cairns considers that, despite these arrangements, it is appropriate for him to make a recommendation on the restructure. The MGG RE Board (excluding Dr. Cairns) also considers that it is appropriate for him to make a recommendation on the MGG Trust Scheme given his role in the operation and management of MGG and his deep industry knowledge.

The MGG Trust Scheme and restructure are subject to a number of conditions, including approvals by unitholders in MGG, Magellan Global Fund and MGE, regulatory approvals (including ASX quotation) and receipt of judicial advice from the Court.

Independent Expert's Opinion

The Directors have appointed Lonergan Edwards & Associates Limited as the Independent Expert to provide an opinion on the MGG Trust Scheme (set out in Schedule 2).

The Independent Expert has concluded that the MGG Trust Scheme is fair and reasonable and in the best interests of MGG Unitholders in the absence of a Superior Proposal.

Conclusion

If, after reading this Explanatory Memorandum, you have any questions regarding the restructure or the MGG Trust Scheme, please call the MGG Unitholder Information Line on 1300 005 016 (Australia) or +61 2 9290 9600 (International), between 8.15am and 5.30pm Monday to Friday (Sydney time), or consult your legal, investment or other professional adviser.

I look forward to your participation at the Meeting on 25 November 2020 and encourage you to vote in favour of the MGG Trust Scheme.

Yours sincerely



Robert Fraser
Chairman

Magellan Asset Management Limited
as responsible entity of Magellan Global Trust

Key Dates

Date of this Explanatory Memorandum	21 October 2020
Time and date by which Proxy Forms must be received	9.00am 23 November 2020
Voting Record Date	7.00pm 23 November 2020
Time and date of the Meeting	12.00pm 25 November 2020

If the MGG Trust Scheme is approved by MGG Unitholders and all other Conditions Precedent in connection with the MGG Trust Scheme are fulfilled or waived, the following key dates apply:

Second Judicial Advice Date	26 November 2020
Effective Date	27 November 2020
Suspension of MGG Units from trading on ASX	Close of business on 27 November 2020
Closed Class Units commence trading on ASX on a deferred settlement basis	12pm on 30 November 2020
MGG Trust Scheme Record Date	1 December 2020
Implementation Date	8 December 2020
Normal trading in Closed Class Units commences	9 December 2020

If the Restructure is implemented, the following key dates are expected to apply to the proposed MGF Partnership Offer and Bonus MGF Option Issue:

Record date for MGF Partnership Offer	8 December 2020
MGF Partnership Offer Calculation Date	8 January 2021
Expected date the MGF Partnership Offer opens	18 January 2021
Expected date the MGF Partnership Offer closes	23 February 2021
Bonus MGF Option Issue Record Date	26 February 2021
Expected date for the allotment of Closed Class Units and MGF Options under the MGF Partnership Offer and Bonus MGF Option Issue	1 March 2021

Dates and times are indicative only and are subject to change. Unless otherwise specified, all times and dates refer to Sydney time. Any changes to the timetable will be made available on the website at www.magellanfundrestructure.com.au.

What to Do Next

Step 1 Carefully Read this Explanatory Memorandum in Full

You should read this Explanatory Memorandum in full before making any decision on how to vote. It contains important information to assist you in deciding how to vote on the MGG Trust Scheme Resolutions.

It is important that you consider the information disclosed in light of your own particular investment needs, objectives and financial circumstances. The 'Key Questions' in Section 1 of this Explanatory Memorandum may help answer some of your questions.

If, after reading this Explanatory Memorandum, you have any questions regarding the Restructure, the MGG Trust Scheme or the MGG Trust Scheme Resolutions, contact the MGG Unitholder Information Line on 1300 005 016 (Australia) or +61 2 9290 9600 (International) between 8.15am and 5.30pm (Sydney time) Monday to Friday, or consult an independent, appropriately licensed and authorised professional adviser without delay.

Step 2 Vote on the MGG Trust Scheme Resolutions

Your Vote is Important

If you are an MGG Unitholder on the Voting Record Date you are entitled to vote on the MGG Trust Scheme Resolutions at the Meeting.

The Meeting will be held as a virtual meeting using an online platform which allows participants to vote, ask questions and participate electronically in real-time, rather than attend the meeting at a physical venue.

You can participate in the Meeting online on the day of the meeting by visiting <https://web.lumiagm.com/342631726> on your smartphone, tablet or computer. You will need the latest version of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible. You can vote:

- by participating in the virtual Meeting; or
- by proxy, by attorney or by corporate representative (in the case of a body corporate) in accordance with the instructions in the Notice of Meeting.

The Independent Expert has concluded that the MGG Trust Scheme is fair and reasonable and in the best interests of MGG Unitholders in the absence of a Superior Proposal. The Directors recommend that MGG Unitholders vote in favour of the MGG Trust Scheme Resolutions in the absence of a Superior Proposal.

1 Key Questions

This Section 1 answers some frequently asked questions about the Restructure, the MGG Trust Scheme and proposed MGF Partnership Offer. It is not intended to address all relevant issues for MGG Unitholders. This Section 1 should be read together with all other parts of this Explanatory Memorandum.

Question	Answer	More Information
The Restructure		
1 What is the Restructure?	<p>The Restructure is a proposed series of transactions which will have the effect of consolidating three of Magellan’s existing global equities retail funds, being the Magellan Global Fund, MGG and MGE into a single trust (the Magellan Global Fund) which has two unit classes: an Open Class and a Closed Class.</p> <p>There are three key components to the Restructure:</p> <ul style="list-style-type: none"> – Amendments to the Magellan Global Fund constitution to enable it to offer Closed Class Units and Open Class Units (the MGG Constitutional Amendments); – The acquisition of units in MGE by Magellan Global Fund RE in exchange for Open Class Units of Magellan Global Fund by way of a trust scheme (the MGE Trust Scheme); and – The acquisition of units in MGG by Magellan Global Fund RE in exchange for Closed Class Units of Magellan Global Fund by way of a trust scheme (the MGG Trust Scheme), (together, the Restructure). <p>If the Restructure is implemented, on an indicative basis having regard to funds under management as at 30 September 2020, the restructured Magellan Global Fund would have approximately \$16.0 billion of assets.</p>	Section 3
2 Why is the Restructure being undertaken?	The Directors of the MGG RE believe that the Restructure will deliver a number of benefits to MGG Unitholders and simplify Magellan’s Global Equities Strategy retail product offering.	Section 3.4
3 What are the benefits of the MGG Trust Scheme?	<p>The Directors of MGG RE consider that the MGG Trust Scheme offers a number of benefits to MGG Unitholders, including:</p> <ul style="list-style-type: none"> – Greater efficiency in ASX trading of Closed Class Units; – The opportunity to participate in Magellan Group “partnership benefits” including the MGF Partnership Offer and Bonus MGF Option Issue; and – The investment strategy of Magellan Global Fund has outperformed the investment strategy of MGG since MGG’s inception date of 18 October 2017. 	Section 3.4
4 What are the potential disadvantages and risks of the MGG Trust Scheme?	<p>While the Directors of MGG RE have recommended that MGG Unitholders vote in favour of the MGG Trust Scheme, there are various disadvantages and risks which MGG Unitholders should consider. These include:</p> <ul style="list-style-type: none"> – your investment will no longer be currency managed; – the relative voting power of an MGG Unitholder will be lower in the enlarged Magellan Global Fund; – any borrowing by the Magellan Global Fund (limited to 5% of assets) may expose holders of a specific unit class to cross-collateralisation default risk; and – implementation and execution risks of the MGG Trust Scheme. 	Section 3.4
5 What will I receive if the MGG Trust Scheme becomes Effective and is implemented?	<p>If the MGG Trust Scheme is implemented, MGG Trust Scheme Participants (being MGG Unitholders other than Ineligible Foreign MGG Unitholders) will receive Closed Class Units in Magellan Global Fund.</p> <p>MGG Trust Scheme Participants will receive that number of Closed Class Units in Magellan Global Fund that is equal to the Exchange Ratio multiplied by the number of MGG Units that they hold at 7:00pm (Sydney time) on the MGG Trust Scheme Record Date being 1 December 2020.</p> <p>The Exchange Ratio will be equal to one (1) and is calculated as the NAV of MGG per MGG Unit divided by the NAV of MGG per MGG unit (the issue price of Closed Class Units in Magellan Global Fund under the MGG Trust Scheme) as at the Effective Date.</p>	Section 3.3
6 What is a Magellan Global Fund Closed Class Unit?	<p>The Closed Class Units are a class of units to be issued by the Magellan Global Fund, subject to the approval of the MGF Constitutional Amendments.</p> <p>Closed Class Units are intended to be quoted on the official list of ASX under the ASX Listing Rules. Closed Class Units are expected to trade under the security code: MGF.</p> <p>Holders of Closed Class Units will have the ability to buy or sell their Closed Class Units on the ASX.</p>	Section 7

1 Key Questions

Question	Answer	More Information
6 What is a Magellan Global Fund Closed Class Unit? <i>continued</i>	Similar to an investment company or investment trust quoted on the official list of ASX such as MGG, Closed Class Unitholders do not have the ability to apply for or redeem units directly with Magellan Global Fund RE. The Magellan Global Fund RE can only issue or buy back Closed Class Units in accordance with the ASX Listing Rules.	Section 7
7 What is a Magellan Global Fund Open Class Unit?	<p>The Open Class Units are a class of units currently issued by the Magellan Global Fund. Subject to the approval of the MGF Constitutional Amendments, the Open Class Units are intended to be admitted to trading status on the ASX under the AQUA Rules. Open Class Units are expected to trade under the security code: MGOC.</p> <p>Holders of Open Class Units will have the ability to buy and sell their Open Class Units on the ASX or apply for or redeem their Open Class Units directly with the Magellan Global Fund RE at a price based on the NAV per Open Class Unit.</p> <p>Magellan Global Fund RE, on behalf of the Magellan Global Fund, may provide liquidity to investors on the ASX by acting as a buyer and seller of Open Class Units.</p>	Section 7
8 What are the main differences between Open Class Units and Closed Class Units in Magellan Global Fund?	<p>Both Open Class Units and Closed Class Units will provide investors with interests in the same underlying pool of assets in the Magellan Global Fund. Magellan Global Fund RE manages this pool of assets on behalf of all unitholders in accordance with the Magellan Global Fund's investment strategy.</p> <p>However, there are important differences between Open Class Units and Closed Class Units. These differences include:</p> <ol style="list-style-type: none"> <i>Open-ended vs Closed-ended capital structure</i> <p>Open Class Units are an 'open-ended' unit class in Magellan Global Fund. This means that Magellan Global Fund RE has the power to issue or redeem Open Class Units on a daily basis.</p> <p>Closed Class Units are a 'closed-ended' unit class. Magellan Global Fund RE will only issue or buy back Closed Class Units in accordance with the ASX Listing Rules.</p> <i>The ASX rules framework that will apply to each unit class</i> <p>Open Class Units will be subject to the AQUA Rules and Closed Class Units will be subject to the ASX Listing Rules.</p> <i>Entering and exiting the Magellan Global Fund</i> <p>Subject to ASX approval, both the Open Class Units and Closed Class Units will be able to be bought and sold on the ASX.</p> <p>Under the ASX's AQUA Rules, Magellan Global Fund RE may provide liquidity to investors on the ASX by acting as a buyer and seller of Open Class Units. Open Class Unitholders will also have the ability to apply for or redeem their Open Class Units directly with Magellan Global Fund RE using an application form or withdrawal form (as applicable).</p> <p>Under the ASX Listing Rules, Closed Class Unitholders will not have the ability to apply for or redeem Closed Class Units directly with Magellan Global Fund RE.</p> <p>These differences mean that the prices at which the Open Class Units and Closed Class Units trade on the ASX, compared to their respective NAV per Unit, may differ as a result of secondary market liquidity in each unit class on ASX.</p> <i>Access partnership benefits offered by Magellan Global Fund RE and Magellan Group</i> <p>All Magellan Global Fund Unitholders will be able to participate in the MGF Partnership Offer.</p> <p>Closed Class Unitholders are expected to have the opportunity to access partnership benefits funded by Magellan Group that are not available to Open Class Unitholders. This is expected to include eligibility for the Bonus MGF Option Issue and the ability to participate in a distribution reinvestment plan at a 7.5% discount to the prevailing NAV per Closed Class Unit for which Magellan Group will bear the dilutive effect associated with the distribution reinvestment plan discount.</p> 	Section 7.8
9 What will happen to MGG if the MGG Trust Scheme becomes Effective and is implemented?	<p>If the MGG Trust Scheme becomes Effective and is implemented, all of the units in MGG will be transferred to the Magellan Global Fund and the assets of MGG will indirectly form part of the assets of the Magellan Global Fund.</p> <p>MGG Units will be suspended from trading on the ASX from the Effective Date. MGG RE will subsequently apply for the removal of MGG from the ASX official list. The Magellan Global Fund RE will also apply for deregistration of MGG as a managed investment scheme under Chapter 5C of the Corporations Act.</p>	Sections 4.3 and 4.11

1 Key Questions

Question	Answer	More Information
10 Who is entitled to participate in the MGG Trust Scheme?	If the MGG Trust Scheme becomes Effective and is implemented, MGG Trust Scheme Participants (being all MGG Unitholders other than Ineligible Foreign MGG Unitholders) on the MGG Register at the MGG Trust Scheme Record Date will become entitled to receive Closed Class Units in respect of the MGG Units they hold at that time.	Section 4.5
11 Who is an Ineligible Foreign MGG Unitholder?	<p>An Ineligible Foreign MGG Unitholder is an MGG Unitholder whose address as shown in the MGG Register (on the MGG Trust Scheme Record Date) is a place not located in:</p> <ul style="list-style-type: none"> – Australia (or its external territories); – New Zealand; – Hong Kong, or – Singapore. <p>If the MGG Trust Scheme is implemented Ineligible Foreign MGG Unitholders will not receive Closed Class Units. Instead, Ineligible Foreign MGG Unitholders will be paid cash they are entitled to receive under the Sale Facility.</p> <p>Ineligible Foreign MGG Unitholders may sell their MGG Units up to and including the Effective Date.</p>	Section 3.12
12 In what circumstances might the Restructure not proceed?	<p>The Restructure might not proceed where a condition precedent has not been satisfied or a termination event in the MGG Trust Scheme Implementation Deed or MGE Trust Scheme Implementation Deed has occurred. These circumstances include:</p> <ul style="list-style-type: none"> – Regulatory approvals required to implement the Restructure are not granted or obtained; – Magellan Global Fund Unitholders, MGG Unitholders and MGE Unitholders do not provide the requisite approvals; – Government or Governmental Agency action prohibits, materially restricts, makes illegal or restrains the completion of the Restructure; – A prescribed occurrence occurs (including insolvency, change in responsible entity, delisting, deregistration as a managed investment scheme under Chapter 5C of the Corporations Act) with respect to MGG; – The Court declines to grant the Second Judicial Advice or the second judicial advice relating to the Magellan Global Fund Unitholder Resolutions; or – ASX does not approve the quotation of the Open Class Units and Closed Class Units. 	Section 3.9 and 12.7
13 Has MGG RE considered alternatives to the MGG Trust Scheme?	MGG RE has considered the alternatives to the MGG Trust Scheme of (i) amending the MGG investment strategy to replicate the investment strategy of another open-ended ASX quoted fund operated by Magellan and (ii) not undertaking the MGG Trust Scheme and retaining the status quo, but determined that it would deny some or all of the benefits that MGG RE expects the MGG Trust Scheme to deliver to MGG Unitholders and that the MGG Trust Scheme is in the best interests of MGG Unitholders.	Section 3.7
MGG Partnership Offer and Bonus MGF Option Issue		
14 What is the MGF Partnership Offer?	<p>The MGF Partnership Offer is the proposed offer of Closed Class Units (and MGF Options) available to Eligible Magellan Global Fund Unitholders following implementation of the Restructure and is subject to regulatory approvals.</p> <p>Under the MGF Partnership Offer, all Eligible Magellan Global Fund Unitholders will be invited to subscribe for \$1 of Closed Class Units for every \$4 of Magellan Global Fund Units held on the MGF Partnership Offer Calculation Date but capped at the value of their Magellan Global Fund holding on the Implementation Date.</p> <p>The subscription price for the new Closed Class Units will be the NAV per Closed Class Unit on the Business Day immediately prior to their allotment.</p> <p>Successful applicants will also receive a valuable benefit in the form of additional Closed Class Units worth 7.5% of their subscription as part of Magellan Group's partnership approach with investors in Closed Class Units. Magellan Group will fund the 7.5% partnership benefit to minimise dilution.</p> <p>Successful applicants will also receive one MGF Option for every Closed Class Unit issued to them under the MGF Partnership Offer.</p>	Section 7.23
15 When will the MGF Partnership Offer take place?	The MGF Partnership Offer will take place following implementation of the Restructure. Product disclosure statements are expected to be lodged with ASIC on 8 January 2021.	Section 7.23

1 Key Questions

Question	Answer	More Information
16 Who is eligible to participate in the MGF Partnership Offer?	The record date for the MGF Partnership Offer will be the Implementation Date. All unitholders in Magellan Global Fund (including both the Open Class Units and Closed Class Units) at that date will be eligible. This will include MGG Trust Scheme Participants. The last day on which you can buy units in MGG and be eligible for the MGF Partnership Offer is the Effective Date.	Section 7.23
17 What is the MGF Partnership Offer Calculation Date?	If you hold units on the Implementation Date, you will be eligible to participate in the MGF Partnership Offer. The MGF Partnership Offer Calculation Date is the date on which your entitlement to participate in the MGF Partnership Offer will be calculated and is expected to be 8 January 2021.	Section 7.23
18 How are entitlements to participate in the MGF Partnership Offer calculated?	Your entitlement in the MGF Partnership Offer will be calculated as \$1 worth of Closed Class Units for every \$4 worth of Closed Class Units you hold on the MGF Partnership Offer Calculation Date. The value of your Closed Class Units on this date will be calculated as the NAV per Closed Class Unit multiplied by the number of Closed Class Units you hold on the MGF Partnership Offer Calculation Date, with that number of units capped at the number of Closed Class Units you held on the Implementation Date. Only unitholders with a registered address in Australia, New Zealand, Hong Kong or Singapore are expected to be eligible to participate in the MGF Partnership Offer.	Section 7.23
19 Are the MGF Partnership Offer and Bonus MGF Options Issue part of the Restructure?	No, the MGF Partnership Offer and Bonus MGF Option Issue are not part of the Restructure. However, the MGF Partnership Offer and the Bonus MGF Option Issue are dependent on the Restructure having been implemented. Magellan Global Fund RE intends to proceed with the proposed MGF Partnership Offer following implementation, however it is not obliged to do so and the terms of the offer may differ from those outlined in this Explanatory Memorandum.	Sections 7.23 and 7.24
20 What are MGF Options?	Each MGF Option is an option to acquire one (1) Closed Class Unit in Magellan Global Fund at an exercise price equal to 92.5% of the prevailing net asset value of Closed Class Units at the time of exercise. Importantly, Magellan Group will bear the economic cost associated with the 7.5% discount on the exercise of MGF Options in accordance with the terms of the MFG Equity Commitment Deed. It is expected that MGF Options will be exercisable by the holder on a daily basis from the commencement of the exercise period. The MGF Options will have a three year term. Subject to ASX approval, MGF Options are expected to be quoted and tradeable on ASX.	Section 7.24
21 What is the Bonus MGF Option Issue?	The Bonus MGF Option Issue is the proposed bonus issue to Closed Class Unitholders of one (1) MGF Option for every two (2) Closed Class Units held on the Bonus MGF Option Issue Record Date. Eligible Closed Class Unitholders will be those Closed Class Unitholders on the Magellan Global Fund register at 7.00pm on the Bonus MGF Option Issue Record Date, which will be the Business Day immediately prior to the allotment date of Closed Class Units under the MGF Partnership Offer.	Section 7.24
Independent Expert opinion and the Directors' recommendation		
22 What is the opinion of the Independent Expert?	The Independent Expert has concluded that the MGG Trust Scheme is fair and reasonable and in the best interests of MGG Unitholders in the absence of a Superior Proposal. The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Schedule 2 of this Explanatory Memorandum, and the Directors strongly encourage you to read this report in its entirety.	Independent Expert's Report (Schedule 2)

1 Key Questions

Question	Answer	More Information
23 Do the Directors recommend the MGG Trust Scheme?	<p>The Directors consider that the MGG Trust Scheme is in the best interests of MGG Unitholders and the Directors unanimously recommend that MGG Unitholders vote in favour of the MGG Trust Scheme in the absence of a Superior Proposal.</p> <p>In relation to the recommendation of Dr. Brett Cairns (CEO of the Magellan Group and director of MGG RE), MGG Unitholders should have regard to the fact that Dr. Cairns is eligible to receive an annual short-term incentive payment in respect of a financial year. This short-term incentive payment is determined having regard to a range of criteria which the MFG Board, in consultation with Dr. Cairns, will agree each year. Such criteria may include performance metrics relating to the delivery of key strategic projects, such as the Restructure. Accordingly, implementation of the MGG Trust Scheme may contribute to the total short-term incentive payable to Dr. Cairns for the 2021 financial year. The maximum amount payable to Dr. Cairns, should he satisfactorily achieve all of the conditions governing the payment of his short term incentives, as a result of the delivery of key strategic projects including implementation of the Restructure, is \$193,125.</p> <p>MGG Unitholders should have regard to these arrangements when considering Dr. Cairns' recommendation on the MGG Trust Scheme, which appears throughout this Explanatory Memorandum. Dr. Cairns considers that, despite these arrangements, it is appropriate for him to make a recommendation on the MGG Trust Scheme. The MGG RE Board (excluding Dr. Cairns) also considers that it is appropriate for him to make a recommendation on the MGG Trust Scheme given his role in the operation and management of MGG and his deep industry knowledge.</p>	Section 3.5
Magellan Global Fund		
24 Who is the responsible entity and investment manager of the Magellan Global Fund?	<p>Magellan Asset Management Limited (ABN 31 120 593 946) is the responsible entity and investment manager of the Magellan Global Fund.</p> <p>Magellan is a wholly owned subsidiary of Magellan Financial Group Limited (ABN 59 108 437 592) (MFG), which is listed on the ASX.</p>	Section 7
25 What is the Magellan Global Fund?	<p>The Magellan Global Fund is a unit trust which has been registered as a managed investment scheme under the Corporations Act.</p> <p>Subject to approval of the MGF Constitutional Amendments, the Magellan Global Fund will have two unit classes: Open Class and Closed Class.</p>	Section 7
26 When can Magellan Global Fund Units be traded on the ASX?	<p>Subject to approval by ASX, both Open Class Units and Closed Class Units in Magellan Global Fund are expected to commence trading on the ASX on a deferred settlement basis on 30 November 2020, the first Business Day following the Effective Date.</p> <p>Both unit classes are expected to trade on a deferred settlement basis until the date normal trading commences which is expected to be 9 December 2020.</p> <p>MGG Trust Scheme Participants who sell Closed Class Units prior to the Implementation Date are responsible for the calculation of their holding before trading on the ASX. MGG Trust Scheme Participants who sell Closed Class Units before they receive an initial holding statement do so at their own risk. Your stockbroker may not support a sale of Closed Class Units during this period.</p>	Key Dates
27 What are the differences between the investment objectives or investment strategy of the Magellan Global Fund and MGG?	<p>Both MGG and Magellan Global Fund have the same investment objectives, investment philosophy and investment processes and are managed by Magellan's Chief Investment Officer, Hamish Douglass.</p> <p>However, MGG has a differentiated investment mandate from Magellan's flagship Global Equities Strategy which is employed by Magellan Global Fund. The key differences are:</p> <ul style="list-style-type: none"> – Magellan Global Fund will typically hold 20-40 stocks compared to 15-35 stocks in MGG; – Magellan Global Fund's maximum portfolio cash weight is 20% compared to 50% in MGG; – Magellan Global Fund does not hedge foreign currency exposure, whereas MGG manages its foreign currency exposure; and – Magellan Global Fund may borrow up to 5% of assets, compared to MGG which can borrow up to 20%. <p>In connection with the Restructure, the investment portfolio of MGG will be aligned to the Global Equities Strategy. The associated transaction costs will be borne by MGG. Given the significant overlap of the investment portfolio of MGG with the Global Equities Strategy, these costs are not considered material.</p>	Sections 7.4 and 8

1 Key Questions

Question	Answer	More Information
28 Who is the portfolio manager of Magellan Global Fund?	The lead portfolio manager of the Magellan Global Fund is Hamish Douglass. The co-portfolio manager is Arvid Streimann.	Section 8
29 What are the fees on the Magellan Global Fund and how do these differ to MGG?	The level of Magellan Global Fund fees are the same as MGG. Please refer to Section 10 for a detailed explanation of fees and costs. However, the performance fee calculation periods for Magellan Global Fund will end 30 June and 31 December, instead of ending 31 March and 30 September as is the case for MGG. At the Effective Date, any accrued management fees and any accrued performance fees in Magellan Global Fund and MGG will be crystallised and become payable to Magellan Global Fund RE and MGG RE respectively. The crystallisation of fees and reset of the High Water Mark should not impact the value of your MGG Units or the value of the Closed Class Units since the accrued management fee and any accrued performance fee is already included in the NAV per Unit for MGG. A new performance fee Calculation Period will commence after the Effective Date and end on 30 June 2021. The High Water Mark for Magellan Global Fund, MGE, or MGG, whichever is the furthest above the respective fund's NAV per Unit at the Effective Date (in relative terms), will determine the new High Water Mark for Magellan Global Fund Closed Class Units.	Section 10
30 What distributions will I receive?	MGG RE intends to pay MGG Unitholders the announced target cash distribution of 3.58 cents per MGG Unit in respect of the six months ending 31 December 2020 in November 2020, prior to the implementation of the MGG Trust Scheme. Magellan Global Fund RE intends to target a cash distribution yield of 4% per annum (Target Cash Distribution). For the first four semi-annual distributions following the Restructure, Magellan Global Fund RE intends to pay a Target Cash Distribution per Closed Class Unit equal to 2% of the issue price of Closed Class Units under the MGG Trust Scheme. This amount will be paid for each six month period ending 30 June 2021, 31 December 2021, 30 June 2022 and 31 December 2022. After 31 December 2022, the Target Cash Distribution will be paid semi-annually based on the average of the month-end NAV per Closed Class Unit over a two year rolling period ending on the last Business Day of the prior distribution period. Magellan intends to announce the Target Cash Distribution per Closed Class Unit on ASX at the beginning of each semi-annual distribution period. Magellan Global Fund RE retains the discretion to amend the distribution policy of the Magellan Global Fund.	Section 7.10
31 Will the activities of one unit class impact the NAV of the other unit class?	While a Unit will confer on its holder an undivided absolute, vested and indefeasible beneficial interest in Magellan Global Fund as a whole, operationally, the assets and liabilities of Magellan Global Fund will be allocated proportionately between the Closed Class Units and Open Class Units based on their respective net asset values as at the Effective Date. The calculation of the NAV of a unit class will include the impact of transactions specific to that unit class so that they do not impact the NAV per unit of the other unit class. For example, the impact from redemptions of Open Class Units will only impact the NAV of the Open Class and, similarly, the impact from buy-backs of Closed Class Units will only impact the NAV of the Closed Class. As Magellan Global Fund is an AMIT, investors will be assessed for tax on the net income and net capital gains generated by Magellan Global Fund that are attributed to them. Magellan Global Fund RE intends to attribute an estimate of net capital gains realised as a result of the transactions specific to a unit class (such as redemptions of Open Class Units and buy-backs of Closed Class Units) to unitholders in the relevant unit class.	Sections 7.9 and 7.12

1 Key Questions

Question	Answer	More Information
32 What are the key risks associated with an investment in Magellan Global Fund?	<p>As with most investments, an investment in Magellan Global Fund may have risks influenced by a number of factors, some of which are outside of the control of Magellan Global Fund RE. Set out below, in no particular order, is a non-exhaustive list of the key risks associated with an investment in Magellan Global Fund. See Section 9 for further information.</p> <ul style="list-style-type: none"> a) ASX liquidity risk: The liquidity of trading in Units on the ASX may be limited at times and may affect an investor's ability to buy or sell Units. b) Company specific risk: The value of the Magellan Global Fund's investments in a company's securities may be impacted by the risks to which that particular company is itself exposed. c) Concentration risk: The investment returns of the Magellan Global Fund may be dependent upon the performance of a small number of individual companies in the portfolio. d) Conflicts of interest risk: Magellan and its various service providers may from time to time have potential conflicts of interest with the Magellan Global Fund. Such conflicts of interest include but are not limited to: management of multiple accounts with varying fee arrangements, trade allocation, proxy voting and staff personal trading. Magellan maintains a Conflicts of Interest Policy to ensure that it manages its obligations to the Magellan Global Fund such that all conflicts (if any) are resolved fairly. e) Currency risk: The Magellan Global Fund's foreign currency exposure may at times negatively impact investment values and returns. f) iNAV risk: The iNAV published by the Magellan Global Fund is indicative only and might not be up to date or might not accurately reflect the underlying value of the Magellan Global Fund. g) Magellan Global Fund risk: refers to specific risks associated with the Magellan Global Fund, such as termination and changes to fees and expenses. The performance of the Magellan Global Fund or the security of an investor's capital is not guaranteed. An investment in the Magellan Global Fund is governed by the terms of the Constitution and this PDS, each as amended from time to time, and the rules of the ASX. h) Market risk: There is a risk that the market price of the Magellan Global Fund's assets and investments will fluctuate. i) Performance risk: There is a risk that the Magellan Global Fund may not achieve its investment objectives. j) Personnel risk: The skill and performance of Magellan as investment manager can have a significant impact (both directly and indirectly) on the investment returns of the Magellan Global Fund. Changes in key personnel and resources of Magellan may also have a material impact on investment returns of the Magellan Global Fund. k) Pooled investment scheme risk: The risk associated with investing in a pooled investment scheme including voting power and attribution of net income and net capital gains. <p>There are risks specific to Closed Class Units, including:</p> <ul style="list-style-type: none"> a) Credit risk: the risk that Magellan Group is unable to fund the partnership benefits associated with the MGF Partnership Offer and Bonus MGF Options Issues. b) No right of redemption risk: Closed Class Unitholders cannot redeem their Closed Class Units and can only sell their Closed Class Units on ASX. c) Price of units on ASX risk: The price at which the Closed Class Units trade on ASX may not equal the underlying value as reflected in its NAV per Closed Class Unit. As such, there is a risk that Closed Class Unitholders may not be able to sell their Closed Class Units at the NAV per Closed Class Unit. 	Section 9

1 Key Questions

Question	Answer	More Information
Meeting details, voting and approval thresholds		
33 When and where will the Meeting be held?	<p>The Meeting will be held on 25 November 2020, commencing at 12.00pm (Sydney time). MGG RE is closely monitoring, planning and responding to the impact of the COVID-19 pandemic in Australia and is following the guidance issued by the federal and state governments. In light of recent health guidance, the Meeting will be held as a virtual meeting using an online platform which allows attendees to vote, ask questions and participate electronically in real-time, rather than attend the meeting at a physical venue.</p> <p>Refer to the Notice of Meeting (Schedule 1) for information on how to participate in the Meeting online.</p>	Notice of Meeting (Schedule 1)
34 Who is eligible to vote at the Meeting?	<p>All MGG Unitholders on the MGG Register as at 7.00pm (Sydney time) on 23 November 2020 (the Voting Record Date) are entitled to participate and vote at the meeting except that, in accordance with section 253E of the Corporations Act, Magellan Global Fund RE and its Associates are not entitled to vote their interests if they have an interest in a MGG Trust Scheme Resolution other than as a member of MGG.</p> <p>In addition, adopting the principles set out in Takeovers Panel Guidance Note 15, any votes cast in favour of the Constitutional Amendment Resolution by the Magellan Global Fund RE or its Associates will be disregarded.</p>	Notice of Meeting (Schedule 1)
35 Why should I vote?	<p>Voting is not compulsory. However, your vote will be important in determining whether or not the MGG Trust Scheme will proceed. The Directors recommend that you read this Explanatory Memorandum carefully, including the Independent Expert's Report, and vote in favour of the MGG Trust Scheme, in the absence of a Superior Proposal.</p>	N/A
36 What are the MGG Trust Scheme Resolutions?	<p>The MGG Trust Scheme Resolutions consist of the Acquisition Resolution, the Constitutional Amendment Resolution and the Related Party Resolution.</p> <p>The Acquisition Resolution is an ordinary resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition by Magellan Global Fund RE of all the MGG Units on issue and authorise MGG RE to do all things necessary to give effect to the acquisition.</p> <p>The Constitutional Amendment Resolution is a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the MGG Constitution, as set out in the Supplemental Deed Poll. These amendments are necessary to effect the MGG Trust Scheme and authorise MGG RE to implement the MGG Trust Scheme, including the transfer of MGG Units to Magellan Global Fund in exchange for Closed Class Units.</p> <p>The Related Party Resolution is an ordinary resolution for the purposes of Part 2E.1 of the Corporations Act (as modified by Part 5C.7 of the Corporations Act) to approve the provision of financial benefits to related parties of MGG RE in connection with the MGG Trust Scheme. MGG RE proposes to seek MGG Unitholder approval for the MGG Trust Scheme in the way set out in Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act). The financial benefits being provided to MGG RE and its related parties (being MFG and Magellan) are:</p> <ul style="list-style-type: none"> a) a potential increase in, and greater certainty of, Magellan's management fee revenue as a result of the increased number of Closed Class Units that may be on issue as a result of the MGF Partnership Offer and the exercise of MGF Options by holders; and b) the potential for performance fees to become payable in funds that would otherwise not have been payable, or to become payable earlier, as a result of the potential alignment of the performance fee periods of MGG, Magellan Global Fund and MGE. <p>For further details of these financial benefits, see Section 12.11.</p>	Notice of Meeting (Schedule 1) and Section 12.11
37 What voting majority is required for the Acquisition Resolution?	<p>As an ordinary resolution, for the Acquisition Resolution to be approved, it must be passed by at least 50% of the total number of votes cast on the resolution by MGG Unitholders entitled to vote on the resolution at the Meeting.</p>	Notice of Meeting (Schedule 1)

1 Key Questions

Question	Answer	More Information
38 What voting majority is required for the Constitutional Amendment Resolution?	As a special resolution, for the Constitutional Amendment Resolution to be approved, it must be passed by at least 75% of the total number of votes cast on the resolution by MGG Unitholders entitled to vote on the resolution at the Meeting.	Notice of Meeting (Schedule 1)
39 What voting majority is required for the Related Party Resolution?	As an ordinary resolution, for the Related Party Resolution to be approved, it must be passed by at least 50% of the total number of votes cast on the resolution by MGG Unitholders entitled to vote on the resolution at the Meeting.	Section 12.11 and Notice of Meeting (Schedule 1)
40 How do I vote?	<p>The Meeting will be held as a virtual meeting using an online platform which allows participants to vote, ask questions and participate electronically in real-time, rather than attend the meeting at a physical venue.</p> <p>You can participate in the Meeting online on the day of the meeting by visiting https://web.lumiagm.com/342631726 on your smartphone, tablet or computer. You will need the latest version of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible.</p> <p>Please ensure you have your Voting Access Code (refer to the proxy form or your Notice of Meeting email), as you will need this to log in and vote. A Virtual Meeting User Guide is available at www.magellanfundrestructure.com.au.</p> <p>All MGG Unitholders participating virtually will be taken to be present at the meeting. You may vote by participating in the virtual Meeting (via a webcast or an online voting facility). Alternatively, if you do not want to, or cannot, participate in the Meeting in this way, you can vote by proxy, by attorney or by corporate representative (in the case of a body corporate) in accordance with the instructions in the Notice of Meeting.</p>	Notice of Meeting (Schedule 1)
41 What happens if I vote against the MGG Trust Scheme Resolutions or do not vote?	<p>If you do not vote, or if you vote against the MGG Trust Scheme Resolutions, then the Restructure may or may not be approved.</p> <p>The Restructure cannot be implemented unless the MGG Trust Scheme Resolutions are passed by the requisite majority of MGG Unitholders at the Meeting.</p> <p>However, even if you do not vote or vote against the MGG Trust Scheme Resolutions, this does not mean the MGG Trust Scheme will not be approved. If you vote against the MGG Trust Scheme Resolutions and they are approved and the Conditions Precedent are satisfied or waived (if applicable) and the MGG Trust Scheme becomes Effective, the MGG Trust Scheme and the Restructure will be implemented.</p>	N/A
42 Can I keep my MGG Units if the MGG Trust Scheme is approved, becomes Effective and is implemented?	<p>If the MGG Trust Scheme becomes Effective and is implemented, you will be bound by the MGG Trust Scheme and all of your MGG Units will be transferred to the Magellan Global Fund.</p> <p>MGG Trust Scheme Participants will receive Closed Class Units, with the exchange ratio based on the respective net asset values on the Effective Date. As the Exchange Ratio is equal to one (1), the number of Closed Class Units received will be the same as the number of MGG Units you hold on the MGG Trust Scheme Record Date.</p> <p>Ineligible Foreign MGG Unitholders will not receive Closed Class Units but may receive cash under the Sale Facility.</p>	Section 4
43 What if I do not want to participate in the MGG Trust Scheme?	<p>If you do not want to participate in the MGG Trust Scheme, you can sell your MGG Units on the ASX at any time up to and including the Effective Date.</p> <p>You will not be able to sell your MGG Units after the Effective Date.</p>	N/A
44 What happens if the MGG Trust Scheme Resolutions are not approved?	If the MGG Trust Scheme Resolutions are not approved by the requisite majorities of MGG Unitholders at the Meeting or any other Conditions Precedent are not satisfied or waived (if applicable), the MGG Trust Scheme will not be implemented and MGG Unitholders will continue to hold MGG Units.	Section 3.11

1 Key Questions

Question	Answer	More Information
Implementation and other matters		
45 When will the MGG Trust Scheme be completed and implemented?	If the MGG Trust Scheme Resolutions are passed and the Conditions Precedent are satisfied or waived (if applicable) and the MGG Trust Scheme becomes Effective, the MGG Trust Scheme will be implemented on the Implementation Date, which is expected to be 8 December 2020.	Key Dates
46 When will I be issued Closed Class Units?	Magellan Global Fund RE must transfer Closed Class Units to the MGG Trust Scheme Participants on the Implementation Date, which is expected to be 8 December 2020.	Key Dates and Section 4.6
47 Prior to implementation, can I buy or sell MGG Units?	Yes. You can buy or sell MGG Units on the ASX up to and including the Effective Date.	N/A
48 What are the transaction costs associated with the MGG Trust Scheme?	Magellan Group will be responsible for paying for all transaction costs associated with the MGG Trust Scheme. Unitholders in MGG and Magellan Global Fund will not pay for these costs.	Section 4.14
49 Do I have to pay brokerage fees or stamp duty to participate in the MGG Trust Scheme?	No brokerage or stamp duty will be payable by MGG Trust Scheme Participants on the transfer of their MGG Units under the Restructure or the receipt by MGG Trust Scheme Participants of Closed Class Units. If you subsequently sell your Closed Class Units brokerage may be payable to your executing stockbroker or financial adviser.	Section 3.14
50 What are the Australian tax implications of the MGG Trust Scheme for MGG Unitholders?	For detailed tax implications of the MGG Trust Scheme, refer to the Taxation Report in Section 11 of this Explanatory Memorandum which sets out the general Australian taxation implications for MGG Unitholders in respect of the MGG Trust Scheme. MGG Unitholders should seek professional tax advice regarding the tax implications of the MGG Trust Scheme.	Section 11
51 Further questions	If after reading this Explanatory Memorandum you have any questions about the Restructure or the MGG Trust Scheme, you should call the MGG Unitholder Information Line on 1300 005 016 (Australia) or +61 2 9290 9600 (International) between 8.15am and 5.30pm (Sydney time) Monday to Friday. If you are in any doubt as to what you should do, you should consult your legal, investment or other professional adviser without delay.	NA

2 Meeting Details and How to Vote

The MGG RE is closely monitoring and responding to the impact of the COVID-19 pandemic in Australia and is following guidance issued by the federal and state governments. In light of government restrictions on meetings in public venues, the Meeting will be held virtually and there will not be a physical meeting where MGG Unitholders can attend.

Under this arrangement, MGG Unitholders will be provided with alternative ways to participate in the Meeting, including the ability to ask questions online.

If it becomes necessary to make further alternative arrangements for the Meeting, MGG Unitholders will be given as much notice as possible. For information on how to vote and participate at the Meeting online, refer to the Notice of Meeting in Schedule 1.

2.1 MGG Unitholder Approvals

MGG Unitholders will be asked to consider, and if thought fit, pass the following MGG Trust Scheme Resolutions:

- a) an ordinary resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition by Magellan Global Fund RE of all the units on issue in MGG (the **Acquisition Resolution**).
- b) a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the MGG Constitution as set out in the Supplemental Deed Poll (the **Constitutional Amendment Resolution**); and
- c) an ordinary resolution for the purposes of Part 2E.1 of the Corporations Act (as modified by Part 5.7C of the Corporations Act) to approve the MGG Trust Scheme (the **Related Party Resolution**).

The MGG Trust Scheme Resolutions are inter-dependent and the MGG Trust Scheme will only proceed if all of the MGG Trust Scheme Resolutions are passed at the Meeting by the requisite majorities.

2.2 Required voting majority, eligibility to vote and voting exclusions

a) Persons eligible to vote at the Meeting

Subject to the voting exclusions set out in Section 2.2(b) of this Explanatory Memorandum, each MGG Unitholder who is on the MGG Register at the Voting Record Date is entitled to participate and vote at the Meeting either in person (via an online platform), by proxy, by attorney, or in the case of a body corporate, by its corporate representative appointed in accordance with section 253B of the Corporations Act.

In a resolution of MGG determined by poll, each MGG Unitholder present in person (via an online platform) or by proxy, by attorney, or in the case of a body corporate, by its corporate representative appointed in accordance with section 253B of the Corporations Act, has one vote for every dollar of its total interest held in MGG (held via MGG Units). The value of an MGG Unitholder's total interest in MGG will be calculated by reference to the dollar value of their MGG Units based on the last sale price on ASX on the trading day immediately before the day on which the poll is taken.

b) Required voting majority

For the MGG Trust Scheme Resolutions to be approved:

- i) The **Acquisition Resolution** must be passed by at least 50% of the total number of votes cast on the resolution by MGG Unitholders entitled to vote on the resolution at the Meeting.

Voting exclusions

For the purposes of the Acquisition Resolution, in accordance with item 7, section 611 of the Corporations Act, the Magellan Global Fund RE and its Associates must not cast any votes in favour of the resolution.

In addition, in accordance with section 253E of the Corporations Act, MGG RE and its Associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of MGG.

- ii) The **Constitutional Amendment Resolution** must be passed by at least 75% of the total number of votes cast on the resolution by MGG Unitholders entitled to vote on the resolution at the Meeting.

Voting exclusions

For the purposes of the Constitutional Amendment Resolution, in accordance with section 253E of the Corporations Act, MGG RE and its Associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of MGG.

In addition, adopting the principles set out in Takeovers Panel Guidance Note 15, any votes cast in favour of the Constitutional Amendment Resolution by MGG RE or its Associates will be disregarded.

- iii) The **Related Party Resolution** must be passed by at least 50% of the total number of votes cast on the resolution by MGG Unitholders entitled to vote on the resolution at the Meeting.

Voting exclusions

For the purposes of the Related Party Resolution, in accordance with section 253E of the Corporations Act, MGG RE and its Associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of MGG.

2 Meeting Details and How to Vote

2.3 How to vote

The Meeting will be held as a virtual meeting using an online platform which will allow MGG Unitholders to vote, ask questions and participate electronically in real-time, rather than attend the meeting at a physical venue. All MGG Unitholders participating virtually will be deemed to be present at the meeting. You may vote by participating in the Meeting in this way. A Virtual Meeting User Guide is available at www.magellanfundrestructure.com.au.

Unitholders of MGG entitled to participate and vote at the virtual Meeting may vote:

- a) **by direct voting online during the Meeting** – you can participate in the Meeting online on the day of the meeting by visiting <https://web.lumiagm.com/342631726> on your smartphone, tablet or computer. You will need the latest version of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible. Please ensure you have your Voting Access Code (refer to the proxy form or your Notice of Meeting email), as you will need this to log in;
- b) **by appointing a proxy to participate in the Meeting and vote on their behalf** – in order to be valid, online proxy voting or a completed Proxy Form should be submitted and received no later than 9.00am 23 November 2020 using one of the following methods:
 - i) **Vote Online** at: <https://www.votingonline.com.au/mgg2020>
 - ii) **Mail** the Proxy Form to:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
 - iii) **Fax** the Proxy Form to: +61 2 9290 9655
 - iv) **Deliver** the Proxy Form to:
Boardroom Pty Limited
Level 12 – Grosvenor Place,
225 George Street,
Sydney NSW 2000
during business hours (Monday to Friday, 9:00am–5:00pm)
- c) **by appointing an attorney to participate in the Meeting and vote on their behalf** – MGG Unitholders may appoint an attorney to participate and vote at the Meeting on their behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by the MGG Registry by 9.00am (Sydney time), 23 November 2020, unless it has been previously provided to the MGG Registry; or
- d) **by appointing a corporate representative to participate in the Meeting and vote on their behalf** – MGG Unitholders who are bodies corporate may have a corporate representative attend and vote at the Meeting on their behalf. The appointment must comply with section 253B of the Corporations Act. Persons participating in the Meeting as a corporate representative should provide to the MGG Registry evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.

3 Overview of the Restructure

3.1 Overview of the Restructure

On 3 August 2020, Magellan announced a restructure proposal to simplify its Global Equities Strategy retail product offering. The Restructure is a proposed series of transactions which will have the effect of consolidating three of Magellan's existing retail funds, being the Magellan Global Fund, MGG and MGE, into a single trust (the **Magellan Global Fund**). Should the Restructure be implemented, the Magellan Global Fund will have two-unit classes on issue: Open Class Units and Closed Class Units.

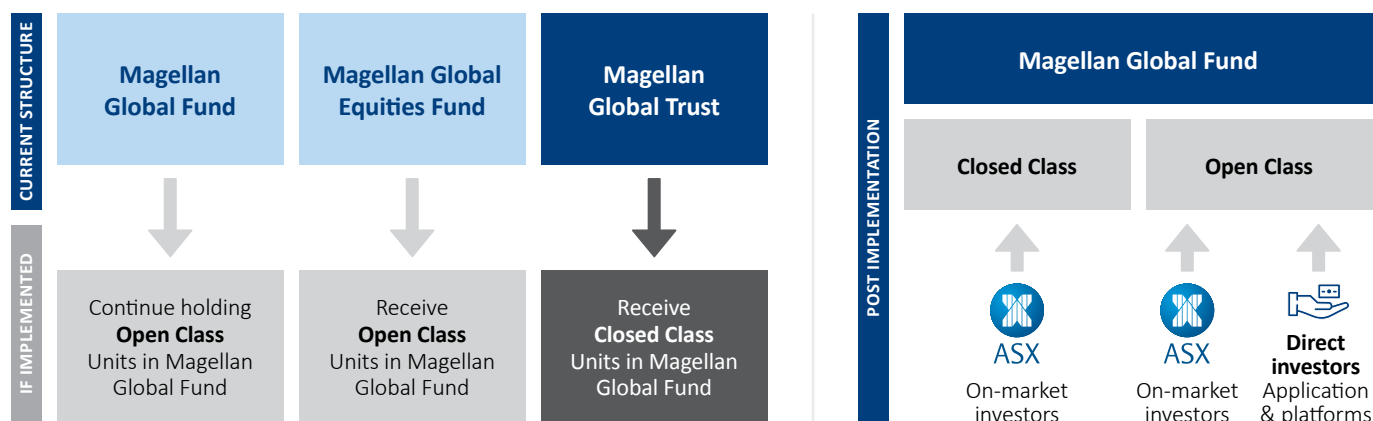
Both Open Class Units and Closed Class Units provide investors with interests in the same underlying pool of assets in the Magellan Global Fund, however:

- Open Class Units will be quoted on the ASX under the AQUA Rules and will provide the holders of these units with the ability to buy and sell units on the ASX or apply and redeem their investment directly with Magellan, in its capacity as responsible entity of the trust, on a daily basis; and
- Closed Class Units will be quoted on the ASX under the ASX Listing Rules.

There are three key components to the Restructure:

- Amendments to the Magellan Global Fund Constitution to enable it to offer Open Class Units and Closed Class Units (the **MGF Constitutional Amendments**);
- The acquisition of units in MGE by Magellan Global Fund RE in exchange for Open Class Units in the Magellan Global Fund by way of a trust scheme (the **MGE Trust Scheme**); and
- The acquisition of units in MGG by Magellan Global Fund RE in exchange for Closed Class Units in the Magellan Global Fund by way of a trust scheme (the **MGG Trust Scheme**).

The structure of the Magellan Global Fund following implementation of the Restructure is detailed in the following diagram:



3.2 Overview of the MGG Trust Scheme

The MGG Trust Scheme is the proposed acquisition of MGG Unitholders' interests in MGG by Magellan Global Fund in exchange for Closed Class Units in the Magellan Global Fund.

It is proposed that all of the units in MGG will be transferred to the Magellan Global Fund by way of a trust scheme facilitated by amendments to the MGG Constitution. MGG Scheme Participants (being MGG Unitholders other than Ineligible Foreign MGG Unitholders) will receive Closed Class Units in the Magellan Global Fund. Ineligible Foreign MGG Unitholders will receive cash through the Sale Facility instead of Closed Class Units.

This Explanatory Memorandum contains information that is prescribed by law or which the MGG RE Board considers is material to MGG Unitholders in making a decision whether or not to vote in favour of the MGG Trust Scheme.

MGG Unitholders are being asked to consider, and if thought fit, pass the MGG Scheme Resolutions which comprise the Acquisition Resolution, the Constitutional Amendments Resolution and the Related Party Resolution.

If the MGG Scheme Resolutions are approved by the requisite majorities of MGG Unitholders at the Meeting and the Magellan Global Fund Unitholder Resolutions and the MGE Trust Scheme are also approved, MGG RE will apply to the Court for the Second Judicial Advice (being a confirmation from the Court that MGG RE is, amongst other things, justified in proceeding to implement the MGG Trust Scheme).

The Second Judicial Advice is currently scheduled for 26 November 2020 (the **Second Judicial Advice Date**).

3.3 Scheme Consideration

If the Restructure (including but not limited to the MGG Trust Scheme) is implemented, MGG Trust Scheme Participants (being MGG Unitholders other than Ineligible Foreign MGG Unitholders) will receive Closed Class Units in Magellan Global Fund.

MGG Trust Scheme Participants will receive that number of Closed Class Units in Magellan Global Fund that is equal to the Exchange Ratio multiplied by the number of MGG Units that they hold at 7:00pm (Sydney time) on the MGG Trust Scheme Record Date being 1 December 2020.

3 Overview of the Restructure

3.3 Scheme Consideration *continued*

The Exchange Ratio will be equal to one (1) and is calculated as the NAV of MGG per MGG Unit divided by the NAV of MGG per MGG Unit (the issue price of Closed Class Units under the MGG Trust Scheme), each as at the Effective Date.

The number of Closed Class Units received by MGG Trust Scheme Participants will be the same as the number of MGG Units they hold on the MGG Trust Scheme Record Date.

By way of example, based on the NAV per MGG Unit of MGG of \$1.8786 on 30 September 2020, the issue price of Closed Class Units of Magellan Global Fund under the MGG Trust Scheme will be \$1.8786 and each MGG Unitholder would be issued with one (1) Closed Class Unit for each MGG Unit they hold.

If the MGG Trust Scheme becomes Effective, Ineligible Foreign MGG Unitholders will not receive Closed Class Units and will instead receive cash through the Sale Facility. Further details of the Sale Facility are set out in Section 3.12.

A summary of the key differences between MGG Units and Closed Class Units in Magellan Global Fund is provided below.

	Closed Class Units (ASX: MGF)	MGG Units (ASX: MGG)
Responsible Entity	Magellan Asset Management Limited	
Investment Manager	Magellan Asset Management Limited	
Investment Strategy	Global Equities Strategy	A strategy similar to the Global Equities Strategy with some different investment parameters
Capital structure	A 'closed-ended' unit class. This means that new units can only be issued in accordance with the ASX Listing Rules.	
ASX Quotation	Quoted on the official list of ASX under the ASX Listing Rules, subject to ASX approval.	Quoted on the official list of ASX under the ASX Listing Rules.
Buying and selling on ASX	Investors can buy and sell units on the ASX. The secondary market price of units may trade at a premium or discount to the NAV per unit.	
Applying and redeeming directly with the responsible entity	No ability for unitholders to apply for or redeem units directly with the responsible entity.	
Distribution policy	Target Cash Distribution yield of 4% per annum paid semi annually	
Distribution Reinvestment Plan	DRP available to reinvest at a 7.5% discount to the prevailing NAV per unit.	DRP available to reinvest at a 5.0% discount to the prevailing NAV per unit
Fees	1.35% per annum management fee inclusive of the estimated net effect of GST) 10% performance fee of the excess return above the higher of the Index Relative Hurdle (the MSCI World Net Total Return Index (AUD)) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds).	
Reports to Unitholders	The following disclosures will be available: – Daily estimated NAV per unit prior to the commencement of the ASX trading day on Magellan's website at www.magellangroup.com.au – Weekly and monthly NAV per unit on ASX – Intraday indicative NAV per Unit (iNAV) on Magellan's website – Monthly fund factsheets with Top 10 holdings – Full portfolio disclosed quarterly within a two-month period – Half Year and Annual Financial Reports	
Material voting rights specific to a Unit Class	Voting rights in accordance with Corporations Act and ASX Listing Rules. Certain matters require specific approval of Closed Class Unitholders and are specified in the Magellan Global Fund Constitution. For further information, see Section 7.21	Voting rights in accordance with Corporations Act and ASX Listing Rules.
Access to partnership benefits	Closed Class Unitholders may benefit from: – Eligibility to participate in the MGF Partnership Offer – Eligibility for the Bonus MGF Option Issue – Ability to elect to participate in a DRP at a 7.5% discount to the NAV per Closed Class Unit	MGG unitholders may benefit from: – Ability to elect to participate in DRP at a 5.0% discount to the NAV per unit

3 Overview of the Restructure

3.4 Summary of the key benefits, risks and disadvantages of the MGG Trust Scheme

The table below provides, in no particular order, a summary of the anticipated benefits of the MGG Trust Scheme, as well as the potential risks and disadvantages.

Summary of key benefits of the MGG Trust Scheme

Greater efficiency in ASX trading of Closed Class Units

Magellan is of the view that, as a consequence of holding Closed Class Units, MGG Unitholders are likely to benefit from greater efficiency in secondary market trading and that it is more likely that trading will occur at prices closer to the prevailing NAV of the units than if they were to continue to hold MGG units.

On the basis that each unit class under the Magellan Global Fund is managed to a single investment strategy, Magellan expects that, typically, the daily movement in the NAV of Closed Class Units will be materially the same as the daily movement in the NAV of Open Class Units. Because investors have a choice as to which unit class they buy to gain exposure to the same underlying investment strategy, should the Closed Class Units trade at a meaningful discount to the NAV per Closed Class Unit, investors having this choice may find it more attractive to buy an exposure to the Magellan Global Fund's investment strategy at a discount by acquiring Closed Class Units instead of Open Class Units. This may lead to greater liquidity in the Closed Class Units than would otherwise be the case in MGG today given that there is no ability to gain exposure to an open-ended fund whose investment strategy is identical to that of MGG. Further, as stated above, because the daily investment performance of each class is expected to be materially the same as the other, this may provide arbitrage opportunities for investors when the secondary market price of Closed Class Units on the ASX represents a material discount to their prevailing NAV as investors may be able to enter into offsetting trades in each unit class thereby mitigating the exposure they have to the underlying investment performance of the fund. This may lead to greater liquidity in the Closed Class Units than would otherwise be the case in MGG today given that there is no ability to execute an offsetting trade in an open-ended fund whose investment strategy is identical to that of MGG.

Additionally, Magellan is of the view that secondary market trading in closed-ended funds becomes more efficient as the number of unitholders and size of the fund increases. Magellan expects that, the size of the Closed Class Units in Magellan Global Fund, as measured by funds under management, will be significantly larger than the current size of MGG after completion of the MGF Partnership Offer. The size of the Closed Class Units in Magellan Global Fund, as measured by funds under management, will also increase if holders of MGF Options exercise their options into new Closed Class Units.

Magellan Group "partnership benefits"

If the Restructure is implemented, Magellan Global Fund RE intends to provide Magellan Global Fund Unitholders with the opportunity to participate in the MGF Partnership Offer and to conduct the Bonus MGF Option Issue.

The MGF Partnership Offer, outlined in Section 7.23, is expected to be an offer to MGG Trust Scheme Participants to subscribe for Closed Class Units and receive a valuable benefit in the form of additional Closed Class Units worth 7.5% of their subscription. Under the MGF Partnership Offer, subscribers are also expected to receive MGF Options which are exercisable at a 7.5% discount to the prevailing net asset value of Closed Class Units. The Bonus MGF Option Issue, outlined in Section 7.24, is the bonus issue of one (1) MGF Option for every two (2) Closed Class Units held. These benefits will be funded by Magellan Group in accordance with the terms of the MFG Equity Commitment Deed outlined in Section 7.20.

The MFG Equity Commitment Deed will automatically terminate if Magellan Global Fund RE is removed or retires as responsible entity of Magellan Global Fund and is not replaced by a related body corporate of Magellan Group. If that happens, Magellan Group will not be obligated to fund the benefits outlined above. This may act as a disincentive to Magellan Global Fund Unitholders voting to replace Magellan Global Fund RE until Magellan Group has met its obligations under the MFG Equity Commitment Deed.

There is also a risk that Magellan Group will not be able to pay amounts to Magellan Global Fund when they are due. If Magellan Group is unable or not obligated to pay amounts to Magellan Global Fund, the MGF Partnership Offer and MGF Options, when exercised, will be dilutive to Closed Class Unitholders. Magellan Group credit risk is described in more detail in Section 9.3.

Exposure to an investment strategy that has outperformed MGG since its inception

While past performance is not necessarily indicative of future results, the investment strategy of Magellan Global Fund has outperformed the investment strategy of MGG since MGG's inception date of 18 October 2017.

In connection with the Restructure, the investment portfolio of MGG will be aligned to the Global Equities Strategy. The associated transaction costs will be borne by MGG. Given the significant overlap of the investment portfolio of MGG with the Global Equities Strategy, these costs are not considered material.

3 Overview of the Restructure

3.4 Summary of the key benefits, risks and disadvantages of the MGG Trust Scheme *continued*

Summary of key disadvantages and risks of the MGG Trust Scheme

These disadvantages and risks are in addition to those described under Magellan Group “partnership benefits” in the table above.

Your investment will no longer be currency managed

Following the restructure, MGG Unitholders will not have the foreign currency exposure of the investment portfolio managed. Magellan Global Fund RE does not hedge the foreign currency exposure arising from the investments of Magellan Global Fund.

As a result, an investment in Magellan Global Fund portfolio may underperform in periods where the Australian dollar rises relative to other currencies, as this will negatively impact investment values and returns. However, at other times, a currency unhedged portfolio may be expected to outperform, for example in periods where the Australian Dollar falls relative to other currencies as this will positively impact investment values and returns.

An MGG Unitholder’s relative voting power and how votes on certain matters may be impacted

Following implementation of the MGG Trust Scheme, the Magellan Global Fund will be a larger fund compared to MGG on a standalone basis. As a result, an MGG Unitholder’s relative voting power (as a percentage of the total) will be lower than the MGG Unitholder’s present percentage interest in MGG. MGG RE observes that this change in voting power is a feature of MGG whenever units are issued under a capital raising, such as a unit purchase plan or distribution reinvestment plan.

As further explained in Section 7.8, in some cases, holders of Open Class Units and Closed Class Units will be required to vote separately to approve a matter or proposal before it can be implemented. As a result, even if holders of one class supported a resolution by voting in favour of it by the required majority, the resolution would not be approved unless the other class similarly voted in favour.

The Magellan Global Fund Constitution will contain the class rights attached to the Open Class Units and Closed Class Units and the implications for voting, which may be either along class lines or voting as a whole. The Magellan Global Fund Constitution is compliant with the Corporations Act and the ASX Listing Rules and AQUA Rules (each as varied by applicable waivers and exemptions).

The Corporations Act requires that, on a vote of the Magellan Global Fund decided by a poll, each Magellan Global Fund Unitholder will have one vote for each dollar of value of Closed Class Units or Open Class Units held. The value of Closed Class Units and Open Class Units will be determined based on the last sale price on the ASX trading day immediately prior to the day the poll is taken. As the ASX secondary market price of Closed Class Units and Open Class Units may differ, where a vote is taken as a whole, this may have the result of decreasing the relative voting power of the holders of one unit class in Magellan Global Fund compared with the holders of the other unit class.

Borrowing by the Magellan Global Fund may expose holders of a specific unit class to cross-collateralisation default risk

Holders of Open Class Units and Closed Class Units have an interest in the same single pool of assets held by Magellan Global Fund RE on trust for all members. Any creditors of Magellan Global Fund RE may have security over or claims in relation to that single pool of trust assets. Magellan Global Fund RE intends to only borrow where the predominant purpose is expected to benefit all members (including Magellan Global Fund Unitholders).

Further, borrowing is limited to 5% of the gross asset value of each unit class which reduces the ability for one unit class to disproportionately expose the other unit class to cross-collateralisation default risk.

MGG Trust Scheme implementation and execution risk

MGG Unitholders may be subject to execution risk if the MGG Trust Scheme is approved by MGG Unitholders and is subsequently implemented. There is a risk that there are inadequacies with systems and procedures or the skill of the personnel managing implementation of the MGG Trust Scheme, which could lead to some or all of the expected benefits of the MGG Trust Scheme not being achieved

3.5 Recommendations of the Directors

The Directors of MGG RE unanimously recommend that MGG Unitholders vote in favour of the MGG Trust Scheme in the absence of a Superior Proposal as they consider that the MGG Trust Scheme is in the best interests of the MGG Unitholders and that the benefits of the MGG Trust Scheme outweigh the risks and disadvantages.

In forming its recommendation, the Directors of MGG RE have had regard to:

- the benefits, risks and disadvantages of the MGG Trust Scheme for MGG Unitholders, as set out in Section 3.4 of this Explanatory Memorandum;
- alternative initiatives that may be attractive to MGG Unitholders, as set out in Section 3.7 of this Explanatory Memorandum; and
- the report from the Independent Expert, which concludes that the MGG Trust Scheme is fair and reasonable and in the best interests of MGG Unitholders in the absence of a Superior Proposal.

Each Director intends to vote all MGG Units held or controlled by them in favour of the MGG Trust Scheme. The interests of each Director are disclosed in Section 12.1.

In relation to the recommendation of Dr. Brett Cairns (CEO of the Magellan Group and director of MGG RE), MGG Unitholders should have regard to the fact that Dr. Cairns is eligible to receive an annual short-term incentive payment in respect of a financial year. This short-term incentive payment is determined having regard to a range of criteria which the MFG Board, in consultation with Dr. Cairns, will agree each year. Such criteria may include performance metrics relating to the delivery of key strategic projects, such as the Restructure. Accordingly, implementation of the MGG Trust Scheme may contribute to the total short-term incentive payable to Dr. Cairns for the 2021 financial year.

3 Overview of the Restructure

3.5 Recommendations of the Directors *continued*

The maximum amount payable to Dr. Cairns, should he satisfactorily achieve all of the conditions governing the payment of his short term incentives, as a result of the delivery of key strategic projects including implementation of the Restructure, is \$193,125.

MGG Unitholders should have regard to these arrangements when considering Dr. Cairns' recommendation on the MGG Trust Scheme, which appears throughout this Explanatory Memorandum. Dr. Cairns considers that, despite these arrangements, it is appropriate for him to make a recommendation on the MGG Trust Scheme. The MGG RE Board (excluding Dr. Cairns) also considers that it is appropriate for him to make a recommendation on the MGG Trust Scheme given his role in the operation and management of MGG and his deep industry knowledge.

3.6 Other considerations for MGG Unitholders in respect of their vote

Notwithstanding the benefits, risks and disadvantages summarised in Section 3.4, there may be other considerations for MGG Unitholders in deciding whether or not to vote in favour of the MGG Trust Scheme:

a) **You may disagree with the MGG RE Directors' recommendation and the opinion of the Independent Expert that the MGG Trust Scheme is fair and reasonable and in your best interests in the absence of a Superior Proposal.**

Despite the recommendation of the MGG RE Board and the opinion of the Independent Expert that the MGG Trust Scheme is fair and reasonable and in the best interests of MGG Unitholders, in the absence of a Superior Proposal, you may believe that the MGG Trust Scheme is not in your best interests or that of other MGG Unitholders.

b) **You may consider that it is in your best interests to maintain your current investment in MGG.**

You may wish to retain your MGG Units as you may want to preserve your investment with the specific characteristics of MGG as a registered managed investment scheme.

c) **You may believe that there is the potential for a Superior Proposal to be made in the future.**

You may believe that there is a potential for a Superior Proposal to be made in the future. Since the execution of the Implementation Deed and as at the date of this Explanatory Memorandum, no Superior Proposal has been received by the MGG RE Board.

3.7 Alternatives to the MGG Trust Scheme

MGG RE considered the alternatives to the MGG Trust Scheme, specifically:

- a) amending the MGG investment strategy to replicate the investment strategy of another open-ended ASX quoted fund operated by Magellan; and
- b) not undertaking the MGG Trust Scheme and retaining the status quo,

but determined that it would deny some or all of the benefits that MGG RE expects the MGG Trust Scheme to bring. The MGG RE Board considers the MGG Trust Scheme to be superior to the alternatives considered and that the MGG Trust Scheme is in the best interests of MGG Unitholders.

3.8 Independent Expert's conclusion

The MGG RE Board appointed the Independent Expert to prepare the Independent Expert's Report to opine on whether the MGG Trust Scheme is fair and reasonable and in the best interests of MGG Unitholders.

The Independent Expert has concluded that the MGG Trust Scheme is fair and reasonable and in the best interests of MGG Unitholders in the absence of a Superior Proposal.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy which is included in Schedule 2 of this Explanatory Memorandum, and the Directors strongly encourage you to read this report in its entirety.

3.9 Conditions Precedent

The MGG Trust Scheme is subject to a number of Conditions Precedent as set out in the Implementation Deed, including:

- a) All regulatory approvals required to implement the Restructure are granted or obtained;
- b) Magellan Global Fund Unitholders approve the Magellan Global Fund Unitholder Resolutions by the requisite majorities;
- c) MGE unitholders approve the MGE Trust Scheme Resolutions by the requisite majorities;
- d) No government or Governmental Agency action prohibits, materially restricts, makes illegal or restrains the completion of the Restructure;
- e) No prescribed occurrence occurs (including insolvency, change in responsible entity, delisting, deregistration as a managed investment scheme under Chapter 5C of the Corporations Act) with respect to MGG;
- f) The Court provides the Second Judicial Advice in respect of the MGG Trust Scheme;
- g) The Court provides the second judicial advice to Magellan Global Fund RE in respect of the Restructure;
- h) ASX approves the admission of the Magellan Global Fund to the official list of ASX and the official quotation of the Closed Class Units; and
- i) ASX approves the admission to Trading Status of the Open Class Units.

Further details regarding the Conditions Precedent and their status are set out in Section 12.7 of this Explanatory Memorandum.

3 Overview of the Restructure

3.10 Tax Implications of the MGG Trust Scheme

For detailed tax implications of the MGG Trust Scheme, refer to the Taxation Report in Section 11 of this Explanatory Memorandum which sets out the general Australian taxation implications for MGG Unitholders in respect of the MGG Trust Scheme.

3.11 Implications if MGG Trust Scheme not approved

If the MGG Trust Scheme is not approved, or any other Conditions Precedent are not satisfied or waived (if applicable), and the MGG Trust Scheme does not proceed:

- a) MGG Unitholders will not receive Closed Class Units;
- b) MGG Unitholders will retain their MGG Units;
- c) MGG will remain as a registered managed investment scheme admitted to the official list of the ASX and will continue to be managed by Magellan; and
- d) MGG Unitholders will not have the opportunity to participate in the MGF Partnership Offer or the Bonus MGF Option Issue.

Any one-off transaction costs that have already been incurred or will be incurred will be paid by Magellan Group (and will not be paid from the assets of MGG) regardless of whether or not the MGG Trust Scheme is implemented.

3.12 Ineligible Foreign MGG Unitholders

Ineligible Foreign MGG Unitholders will not be issued Closed Class Units and will automatically participate in the Sale Facility. The Closed Class Units to which Ineligible Foreign MGG Unitholders would otherwise be entitled will be issued to the Sale Nominee to be disposed of on behalf of the Ineligible Foreign MGG Unitholders, and the proceeds of the sale (net of transaction costs) will be paid to the Ineligible Foreign MGG Unitholders. Please refer to Section 4.10 for more details on the treatment of Ineligible Foreign MGG Unitholders.

3.13 Court approval

If the MGG Trust Scheme Resolutions are approved by the requisite majorities of MGG Unitholders at the Meeting and the Magellan Global Fund Unitholder Resolutions and the MGE Trust Scheme and associated related party resolution are also approved, MGG RE will apply to the Court for the Second Judicial Advice in respect of the MGG Trust Scheme.

Each MGG Unitholder has the right to appear and make submissions at the Court on the Second Judicial Advice Date on 26 November 2020 at the Supreme Court of New South Wales, 184 Phillip Street, Sydney (or virtually, as required in accordance with any COVID-19 related requirements or recommendations). See the 'Important Notices & Disclaimer' section of this Explanatory Memorandum for further information.

Any MGG Unitholder who wishes to oppose the Second Judicial Advice at the Second Judicial Advice hearing may do so by filing with the Court and serving on MGG a notice of appearance in the prescribed form together with any affidavit that the MGG Unitholder proposes to rely on.

The address for service is: c/o MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Attention: Michael Hughes.

3.14 No brokerage or stamp duty

No brokerage or stamp duty will be payable by MGG Trust Scheme Participants on the transfer of their MGG Units to the Magellan Global Fund under the MGG Trust Scheme or the issuance to MGG Trust Scheme Participants of Closed Class Units.

If you subsequently sell your Closed Class Units, brokerage may be payable to your executing stockbroker or financial adviser.

4 Implementation of the MGG Trust Scheme

4.1 Implementation Deed

On 2 August 2020, MGG RE and the Magellan Global Fund RE entered into an Implementation Deed in relation to the MGG Trust Scheme under which MGG RE agreed to put the MGG Trust Scheme Resolutions to MGG Unitholders at the Meeting. The implementation of the MGG Trust Scheme is subject to a number of Conditions Precedent which are summarised in Sections 3.9 and 12.7 of this Explanatory Memorandum. The MGG Trust Scheme will not proceed unless all of these conditions are satisfied or waived (if applicable) in accordance with the Implementation Deed.

MGG RE and the Magellan Global Fund RE have agreed to use best endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent.

4.2 Deed Poll

On 14 October 2020, Magellan Global Fund RE executed the Deed Poll, pursuant to which Magellan Global Fund RE has agreed, in favour of all MGG Unitholders, to fulfil all obligations contemplated of Magellan Global Fund RE under the MGG Trust Scheme, including the obligation to issue Closed Class Units to MGG Trust Scheme Participants and the Sale Nominee, subject to the MGG Trust Scheme becoming Effective.

4.3 Steps to implement the MGG Trust Scheme and Restructure

The implementation of the Restructure (including the MGG Trust Scheme) involves five steps. The Restructure will only be implemented if each of the five steps are completed. The steps are:

- a) Magellan Global Fund RE will amend the Magellan Global Fund Constitution to enable it to offer Closed Class Units and Open Class Units under the MGG Trust Scheme and the MGE Trust Scheme, respectively;
- b) MGG RE and MGE RE will each amend the MGG Constitution and MGE Constitution (respectively) to facilitate the Restructure;
- c) Magellan Global Fund RE will acquire all MGG Units from MGG Trust Scheme Participants by way of a trust scheme of arrangement in exchange for a number of new Closed Class Units in Magellan Global Fund that is equal to the Exchange Ratio multiplied by the number of MGG Units that MGG Trust Scheme Participants hold at 7:00pm (Sydney time) on the MGG Trust Scheme Record Date. Under the terms of the Supplemental Deed Poll, each MGG Trust Scheme Participant will be registered as a holder of Closed Class Units before their MGG Units are transferred to Magellan Global Fund RE;
- d) Magellan Global Fund RE will acquire all MGE Units from eligible participants in the MGE Trust Scheme by way of a trust scheme of arrangement in exchange for new Open Class Units in Magellan Global Fund; and
- e) Magellan Global Fund will be quoted on the ASX, with Closed Class Units to be quoted under the ASX Listing Rules and Open Class Units to be quoted under the AQUA Rules.

4.4 Effective Date

The MGG Trust Scheme will, subject to the MGG Trust Scheme Resolutions being passed at the Meeting and receipt of the Second Judicial Advice, become Effective on the Effective Date. Following the Second Judicial Advice hearing, the Supplemental Deed Poll will be lodged with ASIC.

If the MGG Trust Scheme proceeds, MGG Units will be suspended from quotation on the ASX at the close of trading on the Effective Date and this will be the last day that MGG Units will trade on ASX.

4.5 Determination of persons entitled to Closed Class Units

a) MGG Trust Scheme Record Date

Persons who are recorded as MGG Unitholders (other than Ineligible Foreign MGG Unitholders) on the MGG Register on the MGG Trust Scheme Record Date (expected to be 7.00pm on 1 December 2020) will become entitled to Closed Class Units in respect of the MGG Units they hold at that time.

Ineligible Foreign MGG Unitholders on the MGG Register on the MGG Trust Scheme Record Date (expected to be 7.00pm on 1 December 2020) will not be able to receive Closed Class Units and will instead participate in the Sale Facility as described in Section 4.10.

b) Dealings on or prior to the MGG Trust Scheme Record Date

For the purposes of calculating entitlements under the MGG Trust Scheme, any dealing in MGG Units will only be recognised if the transferee is registered in the MGG Register as the holder of the relevant MGG Units by the MGG Trust Scheme Record Date.

Subject to the Corporations Act and the MGG Constitution, MGG RE must register registrable transmission applications or transfers of the kind recognised above which are effected by 7.00pm on the MGG Trust Scheme Record Date.

MGG RE will not accept for registration or recognise for any purpose any transfer or transmission application in respect of MGG Units received after 7.00pm on the MGG Trust Scheme Record Date (other than as contemplated by the MGG Trust Scheme in relation to the transfer of the MGG Units to the Magellan Global Fund RE) or received prior to that time but not in registrable form.

4 Implementation of the MGG Trust Scheme

4.5 Determination of persons entitled to Closed Class Units *continued*

c) Dealings after the MGG Trust Scheme Record Date

For the purposes of determining the entitlement to Closed Class Units, MGG RE will, until: (i) Closed Class Units have been issued to the MGG Trust Scheme Participants and the Sale Nominee; and (ii) the Magellan Global Fund RE has been registered as the holder of the MGG Units, maintain the MGG Register (subject to the comments in Section 4.5(a) of this Explanatory Memorandum) in its form as at the MGG Trust Scheme Record Date. The MGG Register in this form will solely determine entitlements to Closed Class Units.

From the MGG Trust Scheme Record Date, except as evidence of entitlement to Closed Class Units in respect of the MGG Units relating to that entry, all statements of holding in respect of MGG Units cease to have effect as documents of title in respect of such MGG Units and each entry on the MGG Register will cease to be of any effect.

4.6 Issue of Closed Class Units

If the MGG Trust Scheme becomes Effective and is implemented:

- a) all of the MGG Units will be transferred to Magellan Global Fund RE, without the need for any further act by an MGG Unitholder, by MGG RE:
 - i) by virtue of its appointment as attorney for each MGG Unitholder, procuring the delivery to MGG RE of a duly completed and executed transfer form on behalf of each MGG Unitholder to transfer all of the MGG Units to Magellan Global Fund RE; and
 - ii) entering the name of Magellan Global Fund RE in the MGG Register as the holder of all of the MGG Units.
- b) MGG Unitholders (other than Ineligible Foreign MGG Unitholders) will receive Closed Class Units. Ineligible Foreign MGG Unitholders will be entitled to receive the proceeds from the sale by the Sale Nominee of the new Closed Class Units which would otherwise have been issued to them if they have been entitled to participate in the MGG Trust Scheme (see Section 4.10).

4.7 Deemed warranty on transfer of MGG Units to Magellan Global Fund RE

Under the changes to the MGG Constitution to be effected through the Supplemental Deed Poll, MGG Unitholders are taken to have warranted to the Magellan Global Fund RE, and have authorised MGG RE to warrant, to the Magellan Global Fund RE, that:

- a) all of their MGG Units (including any rights and entitlements attaching to those securities) will, at the date of transfer to the Magellan Global Fund RE, be fully paid and free from encumbrances; and
- b) they have full power and capacity to sell and to transfer their MGG Units (including any rights and entitlements attaching to those securities) to the Magellan Global Fund RE under the MGG Trust Scheme.

4.8 Appointment of MGG RE as attorney and agent for MGG Unitholders

Under the changes to the MGG Constitution to be effected through the Supplemental Deed Poll:

- a) MGG RE will have the power to do all things which it considers are necessary, desirable or reasonably incidental to effect the MGG Trust Scheme, including completing and signing a transfer form for the transfer of MGG Units to Magellan Global Fund RE and completing and signing an application form for Magellan Global Fund Units; and
- b) subject to the issuance of Closed Class Units, on and from the Implementation Date until MGG RE registers the Magellan Global Fund RE as the holder of the MGG Units in the MGG Register, each MGG Unitholder irrevocably appoints MGG RE as attorney and agent (and directs MGG RE in such capacity to appoint the Magellan Global Fund RE and each of its directors from time to time, jointly and each of them individually) as its sole proxy, and where applicable, corporate representative, to attend unitholder meetings, exercise the votes attaching to MGG units registered in its name, and sign any unitholder resolution.

4.9 Overseas Unitholders

MGG Unitholders who have a registered address in Australia, New Zealand, Hong Kong or Singapore will be eligible to receive Closed Class Units. Ineligible Foreign MGG Unitholders will not be eligible to receive Closed Class Units.

a) New Zealand

IMPORTANT NOTICE FOR NEW ZEALAND INVESTORS.

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the Corporations Regulations made under that Act set out how the offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

4 Implementation of the MGG Trust Scheme

4.9 Overseas Unitholders *continued*

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a financial product market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

b) Hong Kong

WARNING: The contents of this Explanatory Memorandum have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Restructuring. If you are in any doubt about any of the contents of this Explanatory Memorandum, you should obtain independent professional advice.

This Explanatory Memorandum does not constitute an offer or invitation to the public in Hong Kong to acquire an interest in or participate in (or offer to acquire an interest in or participate in) a collective investment scheme. This Explanatory Memorandum also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Explanatory Memorandum in Hong Kong, other than to persons who are “professional investors” (as defined in the Securities and Futures Ordinance (**SFO**) and any rules made thereunder) or in other circumstances that do not result in this Explanatory Memorandum constituting an invitation to the public of Hong Kong for the purpose of the SFO.

No person may issue or have in its possession for the purposes of issue, this Explanatory Memorandum or any advertisement, invitation or document relating to the Closed Class Units, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to the Closed Class Units that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this Explanatory Memorandum may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this Explanatory Memorandum, or any offer or an invitation in respect of the Closed Class Units, to the public in Hong Kong. The document is for the exclusive use of unitholders of the Magellan Global Fund in connection with the Restructure, and no steps have been taken to register or seek authorisation for the issue of this Explanatory Memorandum in Hong Kong.

This Explanatory Memorandum is confidential to the person to whom it is addressed and no person to whom a copy of this Explanatory Memorandum is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Explanatory Memorandum to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with consideration of the Restructure by the person to whom this Explanatory Memorandum is addressed.

c) Singapore

This Explanatory Memorandum and any other document relating to the Restructure or the Closed Class Units have not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore and the Restructure is not regulated by any financial supervisory authority under any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act, Cap. 289 (the **SFA**) will not apply.

This Explanatory Memorandum and any other document in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of Closed Class Units may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

4 Implementation of the MGG Trust Scheme

4.9 Overseas Unitholders *continued*

Any offer is not made to you with a view to Closed Class Units being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

This Explanatory Memorandum is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investment referred to in this Explanatory Memorandum may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investment. Nothing in this Explanatory Memorandum constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Magellan Global Fund RE is not in the business of dealing in securities or hold itself out or purport to hold itself out to be doing so. As such, Magellan Global Fund RE is neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

4.10 Treatment of Ineligible Foreign MGG Unitholders – Sale Facility

- a) If you are an Ineligible Foreign MGG Unitholder you will not be eligible to receive Closed Class Units.
- b) Restrictions in certain foreign countries make it impractical or unlawful for Magellan Global Fund RE to offer, or for MGG Unitholders to receive, Closed Class Units in those countries. Accordingly, Magellan Global Fund RE will not issue Closed Class Units to Ineligible Foreign MGG Unitholders.
- c) If you are an Ineligible Foreign MGG Unitholder, you must participate in the Sale Facility which operates as follows:
 - i) By the end of the Implementation Date, Magellan Global Fund RE will transfer each Ineligible Foreign MGG Unitholder's MGG Units to the Sale Nominee.
 - ii) Magellan Global Fund RE will issue the aggregate number of Closed Class Units to which Ineligible Foreign MGG Unitholders would otherwise have been entitled to the Sale Nominee to be disposed of on behalf of the Ineligible Foreign MGG Unitholders. The proceeds of the sale will be paid to the Ineligible Foreign MGG Unitholders. The sale proceeds will depend upon the market price of the Closed Class Units after deduction of any costs, expenses or taxes associated with the sale.
 - iii) The Sale Nominee will be the legal owner of those Closed Class Units and will sell the Closed Class Units within 20 Business Days after the Implementation Date (the ***Ineligible Foreign MGG Unitholder Sale Period***).
 - iv) All Ineligible Foreign MGG Unitholder Closed Class Units to be sold by the Sale Nominee will be sold on the ASX.
 - v) The Sale Nominee will seek to achieve the best price on the ASX for the Ineligible Foreign MGG Unitholder Closed Class Units that is reasonably obtainable bearing in mind a number of factors, including the prevailing market conditions. None of Magellan Global Fund RE, MGG RE or the Sale Nominee gives any assurance as to the price that will be achieved for the sale of Closed Class Units and the sale of the Closed Class Units will be at the risk of the Ineligible Foreign MGG Unitholder.
 - vi) The prices at which Ineligible Foreign MGG Unitholder Closed Class Units are sold may be adversely affected by the requirement that the sales be conducted within the Ineligible Foreign MGG Unitholder Sale Period.
 - vii) Ineligible Foreign MGG Unitholders will be entitled to receive a cash amount for each Closed Class Unit being sold by the Sale Nominee, which is equivalent to an amount equal to the proceeds of sale of all Ineligible Foreign MGG Unitholder Closed Class Units sold divided by the total number of Ineligible Foreign MGG Unitholder Closed Class Units that are sold by the Sale Nominee.
 - viii) Cash proceeds from the sale of the Ineligible Foreign MGG Unitholder Closed Class Units will be dispatched to Ineligible Foreign MGG Unitholders within 5 Business Days after the Ineligible Foreign MGG Unitholder Sale Period to either the bank account nominated by the relevant Ineligible Foreign MGG Unitholder to the MGG Registry for the payment of distributions, or by cheque posted to its address shown on the MGG Registry as at the Record Date.
- d) Ineligible Foreign MGG Unitholders who are required to participate in the Sale Facility should note that the sale proceeds resulting from the Sale Facility is not fixed and is dependent on fluctuations in the trading price of Closed Class Units. The cash amount Ineligible Foreign MGG Unitholders will ultimately receive under the Sale Facility may be lower than the issue price of the Closed Class Units on the Implementation Date.
- e) As noted in Section 12.12, MGG RE has applied to ASIC for relief in respect of certain provisions of the Corporations Act to enable Ineligible Foreign MGG Unitholders to be treated in the manner set out in this Section 4.10.

4 Implementation of the MGG Trust Scheme

4.11 Delisting MGG

MGG RE will apply for removal of MGG from the ASX official list with effect after the Effective Date.

4.12 Trading in Magellan Global Fund Units

Subject to ASX admitting Magellan Global Fund to the official list of ASX and approving the quotation of Open Class Units and Closed Class Units, these units will commence trading on ASX on a deferred settlement basis on the first Business Day following the Effective Date.

Normal trading of the units on a T+2 settlement basis is expected to commence on the Business Day following the Implementation Date. All units traded during the Deferred Settlement trading period will settle on the same date as units traded on the first day of normal trading in units, being two Business Days after the commencement of normal trading.

MGG Unitholders should note that their Magellan Global Fund Closed Class Units will not be issued to them until the Implementation Date. MGG Unitholders who sell Closed Class Units prior to the Implementation Date will be exposed to the risk that they will not be able to settle their trade on the settlement date if they have made an error in calculating the number of new Closed Class Units that will be issued to them on the Implementation Date. Also, an investor's stockbroker may not support a sale of Closed Class Units during this period. Investors should consult with their stockbroker or financial adviser prior to selling Closed Class Units during the deferred settlement trading period.

4.13 Deregistration of MGG

MGG RE will apply for deregistration of MGG as a managed investment scheme under Chapter 5C of the Corporations Act following the Implementation Date.

4.14 MGG Commitment Deed

MFG has entered into a Commitment Deed with MGG RE whereby MFG covenants in favour of MGG RE to pay the costs and expenses associated with the MGG Trust Scheme (**MGG Commitment Deed**).

MFG has no right to terminate the MGG Commitment Deed. The MGG Commitment Deed will automatically terminate where the Implementation Deed is terminated, if the MGG Trust Scheme does not become Effective by 2 August 2021, or on the retirement or removal of MGG RE as responsible entity of MGG.

5 Information about Magellan Global Equities Fund

5.1 Introduction

MGE is a managed investment scheme structured as a unit trust, which has been registered with ASIC and is quoted under the AQUA Rules.

5.2 About the responsible entity and investment manager

Magellan Asset Management Limited is the responsible entity and investment manager for MGE. MGE RE is a wholly owned subsidiary of MFG, which is listed on ASX. MGE RE holds an Australian Financial Services Licence issued by ASIC, which authorises it to operate MGE.

5.3 Role of the responsible entity

As the responsible entity, MGE RE is bound by the MGE Constitution, the Corporations Act and the AQUA Rules. MGE RE has lodged a compliance plan with ASIC which sets out the key measures which MGE RE will apply to comply with the MGE Constitution, the Corporations Act and the AQUA Rules.

MGE RE is responsible for overseeing the operations of MGE. As the investment manager, MGE RE is responsible for selecting and managing the assets of MGE.

MGE RE has the power to delegate certain aspects of its duties.

5.4 Investment strategy

The primary objectives of MGE are to achieve attractive risk-adjusted returns over the medium to long-term, while reducing the risk of permanent capital loss. MGE offers investors an opportunity to invest in a specialised and focused global equity fund.

As the investment manager, MGE RE aims to invest in companies that have sustainable competitive advantages which translate into returns on capital in excess of their cost of capital for a sustained period of time. The MGE RE endeavours to acquire these companies at discounts to their assessed intrinsic value. MGE's portfolio comprises 20 to 40 investments. MGE RE believes such a portfolio will achieve sufficient diversification to ensure MGE is not overly correlated to a single company, or to industry specific or macroeconomic risks.

It is not MGE RE's intention to hedge the foreign currency exposure of MGE arising from investments in overseas markets.

5.5 Valuation, location and custody of assets

MGE's NAV is calculated daily using a framework for the valuation of financial instruments that is consistent with current industry practice and regulatory requirements.

MGE's NAV is an estimate of the value of MGE at the close of trading in each market in which MGE invests. The estimated NAV per Unit may fluctuate each day as the market value of MGE's assets rises or falls. Magellan's NAV Permitted Discretions Policy provides further information about how the NAV per Unit is calculated. Investors can request a copy of this policy free of charge by contacting MGE RE.

The Northern Trust Company (acting through its Australian branch) (**Northern Trust**) has been appointed by MGE RE to hold the assets of MGE under a Master Custody Agreement. As custodian, Northern Trust will safe-keep the assets of MGE, collect the income of MGE's assets and act on MGE RE's directions to settle MGE's trades. Northern Trust does not make investment decisions in respect of MGE's assets that it holds.

5.6 Capital structure

As at 30 September 2020, MGE had net assets of \$1.7 billion and units on issue of 441 million and a net asset value of \$3.9598 per unit.

6 Information about Magellan Global Trust

6.1 Introduction

MGG is a managed investment scheme structured as a unit trust, which has been registered with ASIC and is quoted under the ASX Listing Rules.

6.2 About the responsible entity and investment manager

Magellan Asset Management Limited is the responsible entity and investment manager for MGG. MGG RE is a wholly owned subsidiary of MFG, which is listed on ASX. MGG RE holds an Australian Financial Services Licence issued by ASIC, which authorises it to operate MGG.

6.3 Role of the responsible entity

As the responsible entity, MGG RE is bound by the constitution of MGG, the Corporations Act and the ASX Listing Rules. MGG RE has lodged a compliance plan with ASIC which sets out the key measures which MGG RE will apply to comply with the constitution of MGG, the Corporations Act and the ASX Listing Rules.

MGG RE is responsible for overseeing the operations of MGG. As the investment manager, MGG RE is responsible for selecting and managing the assets of MGG.

MGG RE has the power to delegate certain aspects of its duties.

6.4 Investment strategy

The primary objectives of MGG are to achieve attractive risk-adjusted returns over the medium to long-term, while reducing the risk of permanent capital loss. MGG offers investors an opportunity to invest in a specialised and focused global equity fund.

As the investment manager, MGG RE aims to invest in companies that have sustainable competitive advantages which translate into returns on capital in excess of their cost of capital for a sustained period of time. The MGG RE endeavours to acquire these companies at discounts to their assessed intrinsic value. MGG's portfolio comprises 15 to 35 investments. MGG RE believes such a portfolio will achieve sufficient diversification to ensure MGG is not overly correlated to a single company, or to industry specific or macroeconomic risks.

MGG RE may manage the foreign currency exposure of MGG arising from investments in overseas markets.

6.5 Valuation, location and custody of assets

MGG's NAV is calculated daily using a framework for the valuation of financial instruments that is consistent with current industry practice and regulatory requirements.

MGG's NAV is an estimate of the value of MGG at the close of trading in each market in which MGG invests. The estimated NAV per Unit may fluctuate each day as the market value of MGG's assets rises or falls. Magellan's NAV Permitted Discretions Policy provides further information about how the NAV per unit is calculated. Investors can request a copy of this policy free of charge by contacting Magellan.

Northern Trust has been appointed by MGG RE to hold the assets of MGG under a Master Custody Agreement. As custodian, Northern Trust will safe-keep the assets of MGG, collect the income of MGG's assets and act on MGG RE's directions to settle MGG's trades. Northern Trust does not make investment decisions in respect of MGG's assets that it holds.

6.6 Capital structure

As at 30 September 2020, MGG had net assets of \$2.3 billion and units on issue of 1,238 million and a net asset value of \$1.8786 per unit.

6.7 Material changes in MGG's financial position since last accounts published

The latest published financial statements of MGG are the financial statements for the full year to 30 June 2020, which were released to the ASX on 24 August 2020. To the knowledge of the MGG RE Directors and except as disclosed elsewhere in this Explanatory Memorandum or announced to the ASX, the financial position of MGG has not materially changed since 30 June 2020.

7 Information about the Magellan Global Fund

Segments of the information provided in this section disclose the position of Magellan Global Fund as if the Restructure has been implemented.

7.1 Introduction and brief history

The Magellan Global Fund is a managed investment scheme structured as a unit trust, which has been registered with ASIC. The registration date of the Magellan Global Fund is 17 July 2007.

Magellan Asset Management Limited has been the responsible entity and investment manager since inception on 1 July 2007 and has operated Magellan Global Fund as an unlisted fund following Magellan's Global Equities Strategy.

On 2 August 2020, Magellan Global Fund RE and MGG RE entered into an Implementation Deed in relation to the MGG Trust Scheme under which MGG RE agreed to put the MGG Trust Scheme Resolutions to MGG Unitholders at the Meeting. At the same time, Magellan Global Fund RE and MGE RE entered into an implementation deed in relation to the MGE Trust Scheme under which MGE RE agreed to put the MGE Trust Scheme Resolutions to MGE Unitholders at a meeting of MGE Unitholders.

7.2 About the responsible entity and investment manager

Magellan Asset Management Limited is the responsible entity and investment manager for the Magellan Global Fund. Magellan Global Fund RE is a wholly owned subsidiary of MFG, which is listed on ASX. Magellan Global Fund RE holds an Australian Financial Services Licence issued by ASIC, which authorises it to operate the Magellan Global Fund.

Magellan Global Fund RE's Board comprises the following Directors:

- Robert Fraser, Non-executive Chairman;
- Brett Cairns, Chief Executive Officer;
- John Eales AM, Non-executive Director;
- Paul Lewis, Non-executive Director;
- Hamish McLennan, Non-executive Director;
- Kirsten Morton, Chief Financial Officer; and
- Karen Phin, Non-executive Director.

Biographies for the each of the Directors can be found at www.magellangroup.com.au/about/director-profiles/.

7.3 Role of the responsible entity

As responsible entity of the Magellan Global Fund, Magellan Global Fund RE is bound by the Magellan Global Fund Constitution and the Corporations Act. Should the Restructure be implemented and the Open Class Units and Closed Class Units be admitted to quotation by ASX, Magellan Global Fund RE will also be bound by the ASX Listing Rules and AQUA Rules.

Magellan Global Fund RE has prepared and lodged a compliance plan for the Magellan Global Fund with ASIC. Prior to the Effective Date, Magellan Global Fund RE will prepare and lodge a revised compliance plan for Magellan Global Fund with ASIC, which sets out how Magellan Global Fund RE will ensure compliance with the Corporations Act, the Magellan Global Fund Constitution, the ASX Listing Rules and AQUA Rules when operating the Magellan Global Fund. Magellan Global Fund RE has established a Risk & Compliance Committee to monitor Magellan Global Fund RE's compliance with the compliance plan.

Magellan Global Fund RE is responsible for overseeing the operations of the Magellan Global Fund. As the investment manager, Magellan Global Fund RE is responsible for selecting and managing the assets of the Magellan Global Fund.

Magellan Global Fund RE has the power to delegate certain aspects of its duties.

7 Information about the Magellan Global Fund

7.4 Investment strategy

Magellan Global Fund employs Magellan's Global Equities Strategy which was launched in 2007. As at 30 September 2020, Magellan managed approximately \$73.4 billion in the strategy for high net worth, retail and institutional investors including on behalf of registered managed investment schemes.

Both Magellan Global Fund and MGG leverage Magellan's investment philosophy and investment processes. However, MGG has a differentiated investment mandate from the Magellan Global Fund and Global Equities Strategy. A brief comparison of the investment mandate of Magellan Global Fund and MGG is outlined below.

	Magellan Global Fund	Magellan Global Trust
Core Principles	Benchmark agnostic	Absolute risk – adjusted returns
	Universe of quality companies	Deep research on companies less likely to suffer from permanent erosion of shareholder value
	Long-term focus	Looking beyond short-term 'noise' to focus on risks and opportunities that materially affect the fundamental value of a business
	Macroeconomic input	Identify and manage risks and opportunities through economic cycles
Risk Parameters	Concentration	20-40 companies
	Maximum cash allocation	20%
	Currency hedging	Unhedged
	Derivatives use	Yes, but not intended to be used
Other	Borrowing	Up to 5%
	Distribution	Target Cash Distribution yield of 4% per annum paid semi-annually

A summary of the investment strategy of Magellan Global Fund is set out in Section 8.

7.5 Units in the Magellan Global Fund

If the MGF Constitutional Amendments are approved by Magellan Global Fund unitholders, the Magellan Global Fund will have two unit classes on issue: Open Class Units and Closed Class Units.

Both Open Class Units and Closed Class Units will confer on its holder an undivided absolute, vested and indefeasible beneficial interest in Magellan Global Fund as a whole, subject to Magellan Global Fund's liabilities, not in parts of or single assets. A Magellan Global Fund Unitholder holds a unit in Magellan Global Fund subject to the rights and obligations attaching to that unit.

7.6 Capital structure

As at 30 September 2020 the capital structure of Magellan Global Fund is:

Class of units	Number of units on issue
Ordinary (to be renamed Open Class)	4,580,932,860

The number of Units on issue shown above has been rounded to the nearest whole number.

When the Open Class Units and Closed Class Units in Magellan Global Fund are quoted on ASX on or around 30 November 2020, the number of Units on issue at that time will be different to the number of Units on issue as at 30 September 2020 due to applications and redemptions of units in Magellan Global Fund being accepted up to and including the Effective Date. The number of units quoted will also include Magellan Global Fund RE's estimate of the number of Open Class Units and Closed Class Units to be issued on the Implementation Date following the completion of the Restructure.

Assuming the Restructure was implemented on 30 September 2020, the pro-forma capital structure of Magellan Global Fund is:

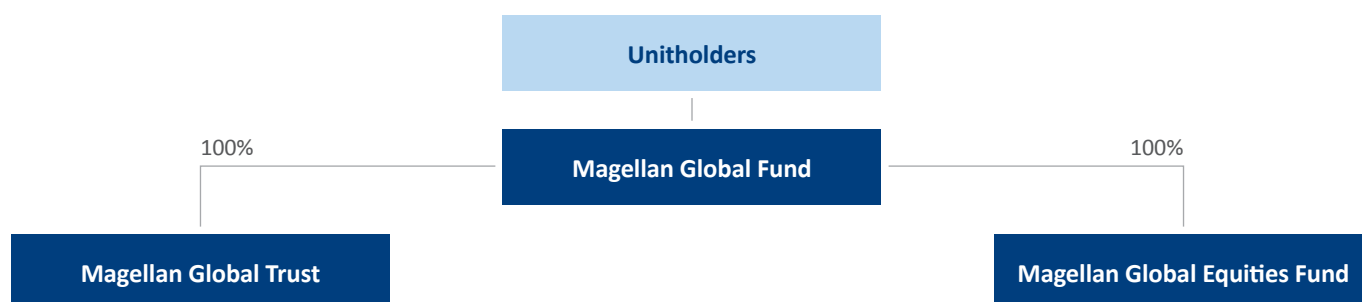
Class of units	Number of units to be issued on Implementation Date	Total number of units on issue as at the Implementation Date
Open Class	670,146,135	5,251,078,995
Closed Class	1,237,986,174	1,237,986,174

The table above does not include the issuance of Closed Class Units as a result of the MGF Partnership Offer or Bonus MGF Option Issue. Information about the impact on the capital structure of Magellan Global Fund will be included in the product disclosure statements that will be provided to Magellan Global Fund Unitholders prior to the MGF Partnership Offer being made. Further information about the MGF Partnership Offer and Bonus MGF Option Issue is included in Sections 7.23 to 7.25.

7 Information about the Magellan Global Fund

7.7 Entity structure

The ownership structure of Magellan Global Fund following completion of the Restructure is detailed in the following diagram:



Following the Restructure, MGG Unitholders will hold Closed Class Units issued by Magellan Global Fund. In turn, Magellan Global Fund will hold all of the units in MGG and MGE.

7.8 Overview of Open Class Units and Closed Class Units

There are important differences between Open Class Units and Closed Class Units, a summary of which is provided below.

	Closed Class Units (ASX: MGF)	Open Class Units (ASX: MGOC)	More Information
Responsible Entity	Magellan Global Fund RE		Section 7.2
Investment Manager	Magellan Global Fund RE		Section 7.3
Investment Strategy	Global Equities Strategy		Section 8
Capital structure	<p>Closed Class of the Magellan Global Fund is a 'closed-ended' unit class.</p> <p>This means that Magellan Global Fund RE can only issue new Closed Class Units in accordance with the ASX Listing Rules, for example as a result of an exercise of a MGF Option, unit purchase plan, distribution reinvestment plan or pro-rata entitlement offer.</p> <p>Magellan Global Fund RE may also undertake a buy-back of Closed Class Units which satisfies the requirements of the Corporations Act and the ASX Listing Rules.</p>	<p>Open Class of the Magellan Global Fund is an 'open-ended' unit class.</p> <p>This means that the Magellan Global Fund RE has the power to issue or redeem Open Class Units on a daily basis.</p>	Section 7.6
ASX Quotation	Magellan Global Fund RE intends to apply for quotation of Closed Class Units on the official list of ASX under the ASX Listing Rules.	Magellan Global Fund RE intends to apply for Open Class Units to be admitted to Trading Status under the AQUA Rules.	Section 7.15
ASX Ticker	MGF	MGOC	N/A
Buying and selling on ASX	<p>Once Closed Class Units are quoted, Closed Class Unitholders will be able to buy and sell their Closed Class Units on ASX, subject to there being sufficient liquidity in Closed Class Units.</p> <p>The secondary market price of Closed Class Units may trade at a premium or discount to the NAV per Closed Class Unit.</p>	<p>Once Open Class Units are quoted, Open Class Unitholders will be able to buy and sell their Open Class Units on ASX.</p> <p>Magellan Global Fund RE, on behalf of the Magellan Global Fund, may provide liquidity to investors on the ASX by acting as a buyer and seller of Open Class Units. Magellan Global Fund RE will appoint a market participant to act as its agent to buy and sell Open Class Units on its behalf.</p> <p>The secondary market price of Open Class Units is generally expected to trade at a tight spread to the prevailing NAV per Open Class Unit.</p>	Section 7.15

7 Information about the Magellan Global Fund

7.8 Overview of Open Class Units and Closed Class Units *continued*

	Closed Class Units (ASX: MGF)	Open Class Units (ASX: MGOC)	More Information
Applying and redeeming directly with the Magellan Global Fund RE	Under the ASX Listing Rules, Closed Class Unitholders do not have the ability to apply for or redeem Closed Class Units directly with Magellan Global Fund RE.	Open Class Unitholders can apply for or redeem Open Class Units directly with the Magellan Global Fund RE using an application form or withdrawal form. The Magellan Global Fund RE will issue and redeem Open Class Units at the entry or exit unit price applicable to the Business Day on which a valid application or withdrawal was made by the applicable cut-off times.	Sections 7.13 and 7.14
Distribution policy	Target Cash Distribution yield of 4% per annum paid semi annually.		Section 7.10
Distribution Reinvestment Plan	Closed Class Unitholders can reinvest their Target Cash Distribution into additional Closed Class Units at a 7.5% discount to the NAV per Closed Class Unit.	Open Class Unitholders can reinvest their Target Cash Distribution into additional Open Class Units at the NAV per Open Class Units.	Section 7.11
Fees	1.35% per annum management fee (inclusive of the estimated net effect of GST) 10% performance fee of the excess return above the higher of the Index Relative Hurdle (the MSCI World Net Total Return Index (AUD)) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds) over each six-month period ending 30 June and 31 December in each year subject to exceeding the relevant High Water Mark and applicable performance fee cap ¹ .		Section 10
Reports to unitholders	The following disclosures will be published for the Magellan Global Fund: – Daily estimated NAV per Unit for each unit class prior to the commencement of the ASX trading day on Magellan's website at www.magellangroup.com.au – Monthly NAV per Unit on ASX for each unit class and weekly NAV per Closed Class Unit on ASX – Intraday indicative NAV per Unit (<i>iNAV</i>) for each unit class on Magellan's website – Monthly fund factsheets with Top 10 holdings and investment performance (net of fees) calculated for each unit class published on ASX and Magellan's website – Full portfolio disclosed quarterly within a two-month period published on ASX and Magellan's website – Half Year and Annual Reports published on ASX and Magellan's website		Section 7.17
Material voting rights specific to a Unit Class	Matters requiring specific approval of Closed Class Unitholders: – Control Transaction as defined under the Magellan Global Fund Constitution – Matters ASX requires be approved under the ASX Listing Rules – Removal of Magellan Global Fund from the official list of ASX, a wind up of the Closed Class Unit Class and, where Open Class Unitholders have passed an equivalent resolution, a wind up of Magellan Global Fund – Variation of certain rights relating to the Closed Class Units under the Magellan Global Fund Constitution	Matters requiring specific approval of Open Class Unitholders: – Control Transaction as defined under the Magellan Global Fund Constitution – Significant Transactions as defined under the Magellan Global Fund Constitution – A wind up of the Open Class Unit Class and, where Closed Class Unitholders have passed an equivalent resolution, a wind up of Magellan Global Fund – Variation of certain rights relating to the Open Class Units under the Magellan Global Fund Constitution	Section 7.21
Removal of Magellan Global Fund RE	The Corporations Act provides for when and how a responsible entity can be changed. In accordance with the Corporations Act, Magellan Global Fund RE can be removed as responsible entity by an ordinary resolution of all unitholders, taken as a whole.		Section 7.21
Access to partnership benefits	Closed Class Unitholders may benefit from: – Eligibility to participate in the MGF Partnership Offer – Eligibility for the Bonus MGF Option Issue – Ability to elect to participate in a DRP at a 7.5% discount to the NAV per Closed Class Unit	Open Class Unitholders may benefit from: – Eligibility to participate in the MGF Partnership Offer	N/A

1. Subject to the first performance fee calculation period being the period from the Effective Date to 30 June 2021.

7 Information about the Magellan Global Fund

7.9 Valuation, location and custody of assets

The Magellan Global Fund's NAV is calculated daily using a framework for the valuation of financial instruments that is consistent with current industry practice and regulatory requirements.

The Magellan Global Fund's NAV is an estimate of the value of the Magellan Global Fund at the close of trading in each market in which the Magellan Global Fund invests. The estimated NAV per Unit for each unit class is the total value of the Magellan Global Fund's NAV attributable to that unit class divided by the number of units on issue in that class.

The estimated NAV per Unit of each unit class may fluctuate each day as the market value of the Magellan Global Fund's assets rises or falls. Magellan's NAV Permitted Discretions Policy provides further information about how the NAV per Unit is calculated. Investors can request a copy of the policy free of charge by contacting Magellan.

Operationally, the assets and liabilities of Magellan Global Fund will be allocated proportionally between the Open Class Units and Closed Class Units based on their respective net asset values as at the Effective Date. The calculation of the NAV of a unit class will include the impact of transactions specific to that unit class so that they do not impact the NAV per unit of the other unit class. The estimated NAV per Unit of each unit class will be based on the NAV of each unit class divided by the number of units on issue in the relevant class as at the end of each Business Day.

Northern Trust has been appointed by Magellan Global Fund RE to hold the assets of the Magellan Global Fund under a Master Custody Agreement. As custodian, Northern Trust will safe-keep the assets of the Magellan Global Fund, collect the income of the Magellan Global Fund's assets and act on Magellan Global Fund RE's directions to settle the Magellan Global Fund's trades. Northern Trust does not make investment decisions in respect of the Magellan Global Fund's assets that it holds.

7.10 Distribution policy

On 24 September 2020, Magellan Global Fund RE announced a new distribution policy for Magellan Global Fund.

Under the updated distribution policy, Magellan Global Fund RE intends to target, in respect of each unit class, a cash distribution yield of 4% per annum (**Target Cash Distribution**). The Target Cash Distribution in respect of each unit class will be paid semi-annually (for the periods ending 30 June and 31 December of each year), with the actual amount for each period determined by using the average of the month-end NAV per Unit for each unit class over the two year period ending on the last Business Day of the prior distribution period.

As a result of the timing of the MGG Trust Scheme, MGG RE intends to pay MGG Unitholders the announced Target Cash Distribution of 3.58 cents per MGG Unit for the six months ending 31 December 2020, on 19 November 2020, prior to the implementation of the MGG Trust Scheme. This distribution will be paid on this date irrespective of whether or not the MGG Trust Scheme is implemented.

For the first four semi-annual distributions following the Restructure, Magellan Global Fund RE intends to pay a Target Cash Distribution per Unit for each of the Open and Closed Class equal to 2% of the issue price of Open and Closed Class Units under the MGE Trust Scheme and MGG Trust Scheme respectively. These amounts will be paid for each six month period ending 30 June 2021, 31 December 2021, 30 June 2022 and 31 December 2022.

Magellan intends to announce the Target Cash Distribution per Unit for each of the Open and Closed Class on ASX at the beginning of each semi-annual distribution period. Magellan Global Fund RE expects that the distribution policy will provide Unitholders with greater certainty on the amount of upcoming distributions.

The Magellan Global Fund may distribute a payment out of the capital invested in addition to a distribution of net income or net capital gains or where the Magellan Global Fund has not generated any net income during the income year.

To be eligible to receive a distribution in respect of Magellan Global Fund Units for a distribution period, you must:

- hold that unit on the last day of the distribution period; or
- have purchased (either on-market or off-market) that unit on or before the last day of the distribution period; or
- in the case of Open Class Units, have applied directly with the Responsible Entity using an Application Form for that unit on or before the last day of the distribution period.

You will not be eligible to receive a distribution in respect of a distribution period on a unit you have sold or redeemed on or before the last day of the distribution period. The distribution is not calculated on a pro-rata basis according to the time that Magellan Global Fund Unitholders have held their Units.

Under the AMIT rules, investors will be assessed for tax on the income of the Magellan Global Fund attributed to them. Where the income of the Magellan Global Fund exceeds the Target Cash Distribution Magellan Global Fund RE may in a particular year retain or accumulate in the Magellan Global Fund the amount of income of the Magellan Global Fund that exceeds the Target Cash Distributions, in which case the income of the Magellan Global Fund that is attributed to you (and must be included in your income tax return) will be more than the cash distribution paid. The tax cost base of your units will increase to the extent that the income of the Magellan Global Fund attributed to investors exceeds the cash distribution paid. For more information see section 7.12.

Distributions paid in cash will be paid directly into Magellan Global Fund Unitholders' Australian dollar or New Zealand dollar bank accounts. Magellan Global Fund Unitholders should contact the Unit Registry or, if applicable, their stockbroker or financial adviser to ask how they can provide bank account details.

Magellan Global Fund RE retains the discretion to amend the distribution policy of Magellan Global Fund. The Magellan Global Fund Constitution permits Magellan Global Fund RE to accumulate part or all of the Magellan Global Fund's income in the Magellan Global Fund and / or reinvest part or all of your distribution, subject to the ASX Listing Rules.

7 Information about the Magellan Global Fund

7.11 Distribution Reinvestment Plan

Magellan Global Fund RE has established a distribution reinvestment plan (**DRP**) in respect of distributions made by each unit class in Magellan Global Fund. In respect of each Target Cash Distribution, Magellan Global Fund RE may elect to offer or not offer the **DRP**. Under the **DRP**, Unitholders may elect to have all, or part of their Target Cash Distribution reinvested as additional Units in Magellan Global Fund. The **DRP** Rules provide detail on the methodology for determining the price at which Magellan Global Fund Units are issued to Magellan Global Fund Unitholders and can be found at www.magellangroup.com.au.

Elections to participate in the **DRP** in respect of the Target Cash Distribution must be made by the election date announced by Magellan Global Fund RE in respect of each relevant Target Cash Distribution.

MGG Unitholders who have elected to participate in the **DRP** in respect of their MGG Unitholding will also be taken to have elected to participate in the **DRP** in respect of the Magellan Global Fund. You will need to update your elections with the MGG Registry if you do not want to participate in **DRP**.

a) Closed Class Units **DRP**

Magellan Global Fund RE intends to offer Closed Class Unitholders who elect to participate in the **DRP** the ability to reinvest all or part of their Target Cash Distribution in additional Closed Class Units at a price equal to a 7.5% discount to the NAV per Closed Class Unit, as provided in the Magellan Global Fund **DRP** Rules.

The application, and the extent of, a **DRP** discount, in respect of any Target Cash Distribution will be at the discretion of Magellan Global Fund RE.

As an additional benefit to Closed Class Unitholders and to ensure that Closed Class Unitholders who elect not to participate in the **DRP** are not diluted as a result of the discount, the Magellan Group will pay the Magellan Global Fund an amount of consideration equal to the dilutive effect of this discount in accordance with the terms of the MFG **DRP** Commitment Deed and subject to the approval of MFG of each particular discounted **DRP** offer.

As a result of the **DRP** issue price being set with reference to the NAV per Unit of the Closed Class Units, the **DRP** issue price for Closed Class Unitholders could be at a premium to the trading price of Closed Class Units on ASX.

b) Open Class Units **DRP**

Magellan Global Fund RE intends to offer Open Class Unitholders who elect to participate in the **DRP** the ability to reinvest all or part of their Target Cash Distribution in additional Open Class Units issued at a price equal to the NAV per Unit of the Open Class Units, as provided in the Magellan Global Fund **DRP** Rules.

7.12 Taxation

The Magellan Global Fund has elected to become an Attribution Managed Investment Trust (**AMIT**). Accordingly, investors will be subject to tax on the income of the Magellan Global Fund that is attributed to them under the **AMIT** rules each year ending 30 June. If there is income of the Magellan Global Fund that is not attributed to an investor, the Magellan Global Fund will be subject to tax at the highest marginal rate (plus the Medicare levy) on that non-attributed income. The Magellan Global Fund Constitution permits Magellan Global Fund RE to accumulate part or all of the Magellan Global Fund's income in the Magellan Global Fund and / or reinvest part or all of your distribution, subject to the ASX Listing Rules, in which case the income of the Magellan Global Fund that is attributed to you (and which must be included in your income tax return) will be more than the total cash distribution you receive.

Investors will be assessed for tax on the net income and net capital gains generated by the Magellan Global Fund that is attributed to them under the **AMIT** rules. Investors will receive a tax statement after the end of each financial year (referred to as an **AMIT** Member Annual Statement) that will provide them with details of the amounts that have been attributed to them by the Magellan Global Fund to assist them in the preparation of their tax return.

Magellan Global Fund may attribute an estimate of net capital gains generated as a result of redemptions of Open Class Units and buy-backs of Closed Class Units to the unitholders of the relevant class. Net capital gains that are otherwise generated in the ordinary operations of the Magellan Global Fund, including as a result of portfolio management will be attributed between unit classes and unitholders on a proportionate basis.

If the Magellan Global Fund was to incur a tax loss for an income year then the Magellan Global Fund could not attribute that loss to investors. However, subject to the Magellan Global Fund meeting certain conditions, the Magellan Global Fund may be able to recoup such a loss against taxable income of the Magellan Global Fund in subsequent income years.

Depending on an investor's particular circumstances, they may also be liable to pay capital gains tax (or income tax if they hold their units on revenue account) when they withdraw units.

7 Information about the Magellan Global Fund

7.13 Further issues of Magellan Global Fund Units

a) Closed Class Units

Magellan Global Fund RE is permitted, subject to the Magellan Global Fund Constitution, the Corporations Act, the ASX Listing Rules and applicable laws, to issue further Closed Class Units after the Magellan Global Fund is admitted to the official list of ASX.

Examples of issuance of further Closed Class Units may include but are not limited to the issue of Closed Class Units under the MGF Partnership Offer, a DRP, unit purchase plan, rights issue, placement of Closed Class Units or consideration for a takeover.

b) Open Class Units

Magellan Global Fund RE is permitted, subject to the Magellan Global Fund Constitution, the Corporations Act, the AQUA Rules and applicable laws, on a daily basis, to issue further Open Class Units or redeem and immediately cancel Open Class Units.

7.14 Redemptions and cancellations of Units

a) Closed Class Units

Under the Magellan Global Fund Constitution and the ASX Listing Rules, while the Closed Class Units are quoted on ASX, Magellan Global Fund RE is not permitted to redeem Closed Class Units.

Subject to any restrictions imposed under the Corporations Act, the ASX Listing Rules (as modified or waived by ASX) and the Magellan Global Fund Constitution, once Closed Class Units are quoted on ASX, Magellan Global Fund RE may undertake an on-market buy-back of Closed Class Units where it determines that this is in the interests of Magellan Global Fund Unitholders. Any Closed Class Units acquired by Magellan Global Fund RE under a buy-back will be immediately cancelled, as required by the Corporations Act. Magellan Global Fund RE will need to obtain Closed Class Unitholder approval for a buy-back and comply with any restrictions in the Corporations Act, ASX Listing Rules and Constitution if it intends to buy back more than 10% of the smallest number of Closed Class Units on issue over the 12 months prior to the buy-back. To fund the buy-back of Closed Class Units, Magellan Global Fund RE may look to liquidate some of the Magellan Global Fund's investments.

b) Open Class Units

Magellan Global Fund RE is permitted, subject to the Magellan Global Fund Constitution, the Corporations Act, the AQUA Rules and applicable laws, on a daily basis, to redeem and immediately cancel Open Class Units.

7.15 Liquidity

a) Closed Class Units

Subject to Magellan Global Fund being admitted to the official list of ASX and its Closed Class Units being quoted, investors will be able to buy and sell Closed Class Units on ASX. The ability to buy and sell Closed Class Units will be subject to there being sufficient buyers and sellers (as applicable) of Closed Class Units at the investor's desired price, ASX being open for trading and the Closed Class Units not being suspended from trading. Closed Class Units may be bought and sold on ASX by Closed Class Unitholders instructing their stockbroker or through their online broking account.

The price at which investors may buy or sell Closed Class Units may not equal the NAV per Closed Class Unit. The Closed Class Units may trade on the ASX at a discount or premium to the NAV per Closed Class Unit.

Magellan Global Fund RE may undertake a buy-back of Closed Class units which satisfies the requirements of the Corporations Act and the ASX Listing Rules. This may act as another source of liquidity to investors wishing to sell Closed Class Units however there is no guarantee that Magellan Global Fund RE will undertake a buy-back.

b) Open Class Units

Once the Open Class Units are admitted to trading status on the ASX under the AQUA Rules, investors will be able to buy and sell Open Class Units on ASX. Investors will also be able to apply for and redeem Open Class Units directly with the Magellan Global Fund RE (using an application form or withdrawal form respectively).

Investors will be able to buy and sell Open Class Units on ASX, subject to there being sufficient buyers and sellers (as applicable) of Open Class Units at the investor's desired price, ASX being open for trading and the Open Class Units not being suspended from trading. Open Class Units may be bought and sold on ASX by Open Class Unitholders instructing their stockbroker or through their online broking account.

Magellan Global Fund RE, on behalf of the Magellan Global Fund, may provide liquidity to investors on the ASX by acting as a buyer and seller of Open Class Units. At the end of each ASX trading day, Magellan Global Fund RE will create or cancel Open Class Units by applying for or redeeming its net position in Open Class Units bought and sold on the ASX. Magellan Global Fund RE will appoint a market participant to transact and facilitate settlement on its behalf.

The price at which investors may buy or sell Open Class Units on the ASX will be the price that Open Class Units trade on ASX. There is no guarantee that the secondary market trading price of the Open Class Units will reflect the NAV per Open Class Unit.

Investors who apply for or redeem their Open Class Units directly with Magellan Global Fund RE will receive the entry or exit unit price applicable to the Business Day on which Magellan Global Fund RE receives completed documentation and cleared monies (for applications) by the applicable cut-off times on that Business Day.

7 Information about the Magellan Global Fund

7.16 Corporate governance

a) Corporate governance policies

Responsibility for the Magellan Global Fund's proper corporate governance rests with Magellan Global Fund RE as the responsible entity. The overarching principle is to always act in good faith and in the best interests of Magellan Global Fund Unitholders. Magellan Global Fund RE's duties and obligations in relation to the Magellan Global Fund principally arise from: the Constitution of the Magellan Global Fund; the compliance plan for the Magellan Global Fund; ASX Corporate Governance Council Principles and Recommendations, 4th Edition March 2019 (**ASX Corporate Governance Principles**), regulatory requirements of ASIC and legislative and regulatory requirements of jurisdictions in which the responsible entity operates.

The board of directors of MFG (**MFG Board**), in consultation with management and Magellan Global Fund RE, determine appropriate corporate governance practices, taking into account the matters outlined in the preceding paragraph. Where, after due deliberation, Magellan Global Fund RE's corporate governance practices differ from the ASX Corporate Governance Principles, the Corporate Governance Statement will set out the reasons for the difference.

MFG has established a governance framework for MFG and its subsidiaries, which includes Magellan Global Fund RE, and has its own Corporate Governance Statement, details of which can be found in the Shareholder Centre section on the Magellan Group's website at www.magellangroup.com.au under "Corporate Governance". Except for limited exceptions as set out in its Corporate Governance Statement, Magellan Group follows all recommendations of the ASX Corporate Governance Principles.

Magellan Global Fund RE has, as far as practicable, adopted the governance framework of MFG being cognisant of its fiduciary duty. The composition of the boards of each of MFG and Magellan Global Fund RE are near identical.

As part of the governance process, the MFG Board and management periodically review Magellan Group's policies and practices to ensure that they meet the requirements of stakeholders and that there is a process of continual improvement in governance standards.

Wherever possible, the corporate governance practices of the Magellan Global Fund follow those of Magellan Group.

The key elements of the Magellan Global Fund's corporate governance framework are set out below. Magellan Global Fund RE has also adopted a number of corporate governance policies to provide reasonable assurance that the Magellan Global Fund is governed efficiently and effectively, and in accordance with its fiduciary duty. The policies are available on Magellan's website at www.magellangroup.com.au.

The corporate governance framework and policies are summarised below:

- i) **Code of Ethics** – The Code of Ethics applies to all Directors and employees of the Magellan Group. The purpose of the Code of Ethics is to:
 - A) communicate the standards of behaviour that the Magellan Group expects of its employees;
 - B) encourage the observance of obligations and standards of conduct to protect and promote the interests of the Magellan Group, its clients, funds under management, shareholders, unitholders and other stakeholders;
 - C) guide employees through the practices thought necessary to maintain confidence in the Magellan Group's integrity; and
 - D) set out the responsibilities and accountabilities of employees to report and investigate reports of unethical practices.

All employees of the Magellan Group are required to make an annual declaration confirming their compliance with the Code of Ethics.

- ii) **Continuous Disclosure Policy** – The Continuous Disclosure Policy assists with clear and effective communication with unitholders by ensuring:
 - A) the Magellan Global Fund has in place policies and procedures reasonably designed to comply with its continuous disclosure obligations under the Corporations Act, the ASX Listing Rules and the AQUA Rules;
 - B) the Magellan Global Fund provides Magellan Global Fund Unitholders, together with the market, timely, direct and equal access to information issued by it; and
 - C) information which is not generally available and which may have a material effect on the price or value of the Magellan Global Fund Units is identified and appropriately considered for disclosure to the market.
- iii) **Unitholder Communications Policy** – The Unitholder Communications Policy describes the procedures in place to provide Magellan Global Fund Unitholders with appropriate information about the Magellan Global Fund and its governance. In summary, the policy outlines:
 - A) methods of communication and types of information provided by Magellan Global Fund RE to unitholders about the Magellan Global Fund;
 - B) timing of such reports and communication; and
 - C) other general information relevant to a Magellan Global Fund Unitholder.

7 Information about the Magellan Global Fund

7.16 Corporate governance *continued*

- iv) **Risk Management Framework** – The Risk Management Framework (**RMF**) for the Magellan Group is based on the Australian Standard AS ISO 31000:2018 Risk Management – Guidelines and Principle 7 of the ASX Corporate Governance Principles. Consideration has also been given to ASIC RG 259: *Risk management systems of responsible entities*.

The compliance program which sets out the policies and procedures that the Magellan Group has adopted to satisfy its regulatory obligations is an integral part of the RMF. The RMF supports a structured and focused approach to identifying, managing and reviewing risk to complement the strategies adopted to achieve the corporate objectives of the Magellan Group.

- v) **Trading Policy** – The Trading Policy sets out the circumstances in which the Directors and employees of the Magellan Group and Magellan Global Fund RE may trade in units in the Magellan Global Fund. The Trading Policy prohibits Directors and employees from dealing when they are in possession of price-sensitive information that is not generally available to the market and also imposes restrictions and notification requirements, including blackout periods and the need to obtain pre-trade approval. The Trading Policy aligns to the ASX Listing Rules, relevant guidelines and the ASX Corporate Governance Principles.

b) ASX Corporate Governance Principles

The ASX Corporate Governance Council has developed and released the ASX Corporate Governance Principles for Australian listed entities in order to promote investor confidence and to assist entities to meet stakeholder expectations. The ASX Corporate Governance Principles are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Magellan Global Fund is required to provide a statement in conjunction with its annual report disclosing the extent to which it has followed the ASX Corporate Governance Principles in the reporting period. Where the Magellan Global Fund does not follow a recommendation, it must identify the recommendation that is not being followed and give reasons for not following it. Except as set out below, the responsible entity does not anticipate that the Magellan Global Fund will depart from the ASX Corporate Governance Principles; however, it may do so in the future if it considers that such departure would be reasonable.

The Magellan Global Fund has a Corporate Governance Statement which reports against the ASX Corporate Governance Principles, a summary of which is set out below.

- i) **Principle 1:** Lay solid foundations for management and oversight

As the Magellan Global Fund is externally managed by Magellan Global Fund RE, Principle 1 is not applicable.

In operating the Magellan Global Fund, Magellan Global Fund RE's overarching principle is always to act in good faith and in the best interests of Magellan Global Fund Unitholders in accordance with its fiduciary duty. The Directors of Magellan Global Fund RE, in consultation with management, determine appropriate corporate governance practices for the Magellan Global Fund.

- ii) **Principle 2:** Structure the board to be effective and add value

As the Magellan Global Fund is externally managed by Magellan Global Fund RE, the following recommendations are not applicable:

- 2.1 Nominations Committee;
- 2.2 Board skills matrix;
- 2.4 Independent Directors;
- 2.5 Board chairman independence; and
- 2.6 New director induction.

In relation to recommendations 2.3 and 2.4, five of the seven Directors of Magellan Global Fund RE are independent Non-Executive Directors. Each Director has served on the Magellan Board for periods of between 2 – 13 years.

- iii) **Principle 3:** Instil a culture of acting lawfully, ethically and responsibly

Magellan Global Fund RE has a Code of Ethics in place which also includes provisions relating to anti-bribery and corruption. Magellan Group also maintains a Whistleblower Policy.

- iv) **Principle 4:** Safeguard the integrity of corporate reports

Magellan Global Fund RE has in place policies and procedures to align with this principle in respect of the Magellan Global Fund with the exception of recommendation 4.1 which recommends that an audit committee be chaired by an independent director who is not chair of the board.

The Chairman of the MFG Audit and Risk Committee is also the Chairman of the Magellan Global Fund RE Board. For good governance, the Chairman will not chair a Magellan Global Fund RE Board meeting while the financial statements of either Magellan or its managed investment schemes are being considered.

- v) **Principle 5:** Make timely and balanced disclosure

The Magellan Global Fund has in place a Continuous Disclosure Policy to provide reasonable assurance that it meets its disclosure obligations under the Corporations Act, the ASX Listing Rules and AQUA Rules.

- vi) **Principle 6:** Respect the rights of security holders

The Magellan Global Fund has in place a Unitholder Communication Policy to provide reasonable assurance that it meets its disclosure obligations under the Corporations Act and the ASX Listing Rules.

7 Information about the Magellan Global Fund

7.16 Corporate governance *continued*

vii) **Principle 7:** Recognise and manage risk

The Magellan Group has in place a RMF and related policies and procedures to align with this principle in respect of the Magellan Global Fund with the exception of recommendation 7.1 which recommends a board has in place a committee or committees consisting of a majority of independent directors to oversee risk.

The MFG Audit and Risk Committee is comprised of independent directors and assists the MFG Board to discharge its responsibilities in relation to the effectiveness of the financial risk management framework and associated internal controls.

The Magellan Global Fund RE Board, chaired by an independent non-executive director, otherwise has oversight of the operational risk and compliance frameworks as it considers risk management matters should be a strong focus of the entire Magellan Global Fund RE Board. The RMF is reviewed at least annually by the MFG and Magellan Global Fund RE Boards to ensure that it continues to be adequate.

The Magellan Global Fund RE Board has established a Risk and Compliance Committee (**RCC**) to assist it in discharging its corporate governance and oversight responsibilities in relation to the Magellan Group's obligations, which include the requirement for adequate risk management and compliance systems. The RCC consists of the Chief Executive Officer, responsible managers, and senior Magellan employees including the Chief Compliance Officer.

The Magellan Global Fund RE Board has also established a Management Information Technology Risk Committee (**ITRC**) which has oversight and provides direction on Magellan Group's information technology risk management activities. The ITRC consists of the Chief Executive Officer, Chief Compliance Officer and other senior Magellan Group employees responsible for information technology.

In relation to recommendation 7.3, Magellan does not have an internal audit function although periodic monitoring of compliance with key policies and procedures is performed by Magellan's Risk and Compliance team and the results are reported to the Magellan Global Fund RE Board.

Magellan is subject to an external audit of the design and operating effectiveness of its control environment relating to asset management services. Magellan Group's culture, size, simple and scalable operations, transparent reporting and flat organisational structure allow the Magellan Group Boards and management full and direct visibility of the key activities undertaken.

The MFG and Magellan Global Fund RE Boards and senior management have the skills and expertise to understand and rigorously review and challenge the information provided and recommendations submitted for approval. Where additional assurance is desired, the relevant Board can commission external independent advice and reviews as necessary.

viii) **Principle 8:** Remunerate fairly and responsibly

As the Magellan Global Fund is externally managed by Magellan Global Fund RE, the following recommendations are not applicable:

- 8.1 Remuneration committee;
- 8.2 Disclosure of remuneration policies and practices; and
- 8.3 Equity based remuneration schemes.

The remuneration payable to Magellan Global Fund RE in respect of the Magellan Global Fund can be found in this Explanatory Memorandum at Section 10. Further details of actual management costs paid will be published in the Half Yearly Reports and Annual Reports of the Magellan Global Fund and will be available on the Magellan Group website.

ix) **Principle 9:** Additional recommendations that apply only in certain cases

In relation to recommendation 9.3 (External Auditor attends AGM), the Magellan Global Fund does not intend to hold an annual general meeting and accordingly this recommendation is not applicable. If the Magellan Global Fund were to hold an annual general meeting this recommendation would be followed.

7.17 Reports to unitholders

The Magellan Global Fund is a disclosing entity and is required to meet the continuous disclosure requirements of the Corporations Act, the ASX Listing Rules and the AQUA Rules. Accordingly, the Magellan Global Fund will:

- a) prepare and publish on the ASX both yearly and half yearly financial statements accompanied by a Directors' statement and report and an audit or review report;
- b) within 14 days after the end of each month, notify ASX of the NAV backing of its Closed Class Units as at the end of that month; and
- c) immediately notify ASX of any information concerning the Magellan Global Fund of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of units, subject to certain limited exceptions related mainly to confidential information.

Copies of documents set out above that are lodged by the Magellan Global Fund with ASX may be obtained from ASX, or from Magellan Global Fund RE.

Magellan Global Fund RE intends to publish an estimated NAV per Unit and iNAV for each unit class daily on Magellan Group's website at www.magellangroup.com.au. In addition, Magellan Global Fund RE intends to publish weekly on ASX a NAV per Unit for the Closed Class Units and monthly on ASX a NAV per Unit for each unit class. The iNAV for each unit class will be updated in respect of the Magellan Global Fund's portfolio securities or equivalent securities that have live market prices during the ASX trading day and for foreign exchange movements. No assurance can be given that the iNAV will be published continuously or that it will be up to date or free from error. To the extent permitted by law, neither Magellan Global Fund RE nor its appointed agent shall be liable to any person who relies on the iNAV. Magellan will also produce monthly Magellan Global Fund updates, which will be lodged with ASX, and quarterly and annual investment reports, which will be lodged with ASX. All reports will be available at www.magellangroup.com.au.

7 Information about the Magellan Global Fund

7.18 About the AQUA Rules and ASX Listing Rules

Subject to ASX approval and the Restructure becoming Effective the:

- Open Class Units will be admitted to trading status on the ASX and will be quoted under the AQUA Rules framework.
- Closed Class Units will be quoted on the official list of ASX under the ASX Listing Rules.

The AQUA Rules and ASX Listing Rules are accessible at www.asx.com.au.

The following table sets out the key differences between the ASX Listing Rules and the AQUA Rules.

Requirement	ASX Listing Rules	AQUA Rules
Continuous disclosure	Issuers are subject to continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.	<p>Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements in ASX Listing Rule 3.1 and section 674 of the Corporations Act. Magellan Global Fund RE will comply with the disclosure requirements in section 675 of the Corporations Act. This means that Magellan Global Fund RE will disclose to ASIC information which is not generally available and that a reasonable person would expect, if the information were generally available, to have a material effect on the price or value of the Open Class Units, provided that such information has not already been included in this Explanatory Memorandum (as supplemented or amended). Magellan Global Fund RE will publish such information on the ASX announcements platform and its website at www.magellangroup.com.au at the same time as it is disclosed to ASIC.</p> <p>Under AQUA Rule 10A.4, Magellan Global Fund RE must disclose:</p> <ul style="list-style-type: none"> – information about the NAV of the Open Class Unit's underlying investments daily; – information about redemptions in respect of Open Class Units; – information about distributions paid in relation to the Open Class Units; – any other information which is required to be disclosed to ASIC under section 675 of the Corporations Act; and – any other information that would be required to be disclosed to the ASX under section 323DA of the Corporations Act if the Open Class Units were admitted under the ASX Listing Rules. <p>In addition, under the AQUA Rules Magellan Global Fund RE must immediately notify the ASX of any information the non-disclosure of which may lead to the establishment of a false market in the Open Class Units or which would be likely to materially affect the price of the Open Class Units.</p>
Periodic disclosure	Issuers are required to disclose half-yearly and annual financial information and reports to the ASX announcements platform.	Issuers of products quoted under the AQUA Rules are not required to disclose half-yearly or annual financial information or reports to the ASX announcements platform. Magellan Global Fund RE will disclose financial information and reports in respect of the Magellan Global Fund to the ASX announcements platform and will also lodge such financial information and reports with ASIC under Chapter 2M of the Corporations Act.
Corporate governance	Listed companies and listed managed investment schemes are subject to notification requirements under the Corporations Act and the ASX Listing Rules relating to takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings.	Although the Open Class Units are expected to be quoted under the AQUA Rules, as the Magellan Global Fund will also be listed, it will be subject to certain corporate governance requirements.
Related party transactions	Chapter 10 of the ASX Listing Rules relates to transactions between an entity and a person in a position to influence the entity and sets out controls over related party transactions.	Chapter 10 of the ASX Listing Rules does not apply to AQUA Rules quoted products (such as the Open Class Units). Magellan Global Fund RE will still be required to comply with the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.
Auditor rotation obligations	Division 5 of Part 2M.4 of the Corporations Act imposes specific rotation obligations on auditors of listed companies and listed managed investment schemes	Issuers of products quoted under the AQUA Rules are not subject to the auditor rotation requirements in Division 5 of Part 2M.4 of the Corporations Act. An auditor will be appointed by Magellan Global Fund RE to audit the financial statements and Compliance Plan of the Magellan Global Fund.

7 Information about the Magellan Global Fund

7.19 Financial Information

7.19.1 Introduction

The Magellan Global Fund is a managed investment scheme structured as a unit trust, which has been registered with ASIC. The registration date of the Magellan Global Fund is 17 July 2007.

The financial information contained in this Section 7.19 comprises:

- historical financial information comprising:
 - the historical statements of profit or loss of Magellan Global Fund for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
 - the historical statements of cash flow of Magellan Global Fund for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
 - the historical statement of financial position of Magellan Global Fund as at 30 June 2020;
 - the historical statement of financial position of Magellan Global Equities Fund (MGE) as at 30 June 2020; and
 - the historical statement of financial position of Magellan Global Trust (MGG) as at 30 June 2020;(hereafter the **Historical Financial Information**); and
 - the pro forma historical statement of financial position of Magellan Global Fund as at 30 June 2020 as if the Restructure had occurred (hereafter the **Pro Forma Historical Statement of Financial Position**),
- (collectively, the
- Financial Information**
-).

The information in this Section 7.19 should also be read in conjunction with the overview of the Restructure detailed in Section 3 and risk factors set out in Section 9 and other information contained in this Explanatory Memorandum.

The Financial Information (as defined above) has been reviewed by Ernst & Young in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* as stated in its Independent Limited Assurance Report set out in Schedule 5. Investors should note the scope and limitations of the Independent Limited Assurance Report.

7.19.2 Basis of Preparation

The Directors of Magellan Global Fund RE are responsible for the preparation and presentation of the MGF Financial Information included in this Section 7.19.

The Directors of MGE RE are responsible for the preparation and presentation of the MGE Financial Information included in this Section 7.19.

The Directors of MGG RE are responsible for the preparation and presentation of the MGG Financial Information included in this Section 7.19.

The Financial Information included in this Explanatory Memorandum is intended to present MGG Unitholders with information to assist them in understanding the financial position of Magellan Global Fund following the completion of the Restructure.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information as required by Australian Accounting Standards (**AAS**) applicable to annual financial reports prepared in accordance with the Corporations Act.

Preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in AAS issued by the Australian Accounting Standards Board (**AASB**). AAS is consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

The historical statements of profit or loss, statements of cash flows and statements of financial position of Magellan Global Fund has been derived from its annual financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 prepared in accordance with AAS, which has been audited by Ernst & Young. Ernst & Young issued unmodified audit opinions on these annual financial statements.

The historical statement of financial position of MGE as at 30 June 2020 has been derived from its annual financial statements as at and for the year ended 30 June 2020 prepared in accordance with AAS, which has been audited by Ernst & Young. Ernst & Young issued an unmodified audit opinion on these annual financial statements.

The historical statement of financial position of MGG as at 30 June 2020 has been derived from its annual financial statements as at and for the year ended 30 June 2020 prepared in accordance with AAS, which has been audited by Ernst & Young. Ernst & Young issued an unmodified audit opinion on these annual financial statements.

The Historical Financial Information should be read in conjunction with the respective annual financial reports of Magellan Global Fund, MGE and MGG for the year ended 30 June 2020, including a description of the accounting policies contained in the financial statements and notes to those financial statements.

The annual financial reports of Magellan Global Fund, MGE and MGG for the year ended 30 June 2020 are available free of charge at www.magellangroup.com.au.

7 Information about the Magellan Global Fund

7.19 Financial Information *continued*

Preparation of Pro Forma Historical Statement of Financial Position

The Pro Forma Historical Statement of Financial Position of Magellan Global Fund has been prepared solely for inclusion in this Explanatory Memorandum.

The Pro Forma Historical Financial Information has been derived from the historical statement of financial position of Magellan Global Fund and has been adjusted for the effects of pro forma adjustments described in Section 7.19.5.1 of this Explanatory Memorandum.

The Pro Forma Historical Statement of Financial Position has been prepared in accordance with the recognition and measurement principles contained in AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect the impact of certain transactions as if they occurred as at 30 June 2020.

The Pro Forma Historical Statement of Financial Position is intended to be illustrative only and may not reflect the actual or prospective financial position of Magellan Global Fund as at the date of this Explanatory Memorandum and does not reflect Magellan Global Fund RE's expectations in respect of the net assets attributable to unitholders before or after implementing the Restructure.

7.19.3 Magellan Global Fund historical statements of profit or loss

The Magellan Global Fund historical statements of profit or loss for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 are shown in the table below.

	June 2018 \$'000	June 2019 \$'000	June 2020 \$'000
Investment Income			
Dividend and distribution income	136,264	142,466	157,428
Interest income	11,680	31,656	8,948
Net change in fair value of investments	1,431,154	1,785,093	1,115,132
Net gains/(losses) on foreign exchange settlements, derivative contracts and cash	61,236	92,978	(128,944)
Other income	370	327	42
Total Net Investment Income	1,640,704	2,052,520	1,152,606
Expenses			
Management fees	128,077	137,005	159,769
Performance fees	18,861	14,068	3,123
Brokerage fees	633	503	905
Withholding tax on dividends	19,811	20,645	22,387
Total Expenses	167,382	172,221	186,184
Net Operating Profit/(Loss)	1,473,322	1,880,299	966,422
Finance Costs Attributable to Unitholders			
Distributions of income and capital to unitholders ¹	(710,350)	—	—
(Increase)/decrease in net assets attributable to unitholders ¹	(762,972)	—	—
Profit/(Loss) For The Year	—	1,880,299	966,422

1. Effective 30 June 2018, units in the Funds have been classified from a financial liability to equity.

7 Information about the Magellan Global Fund

7.19 Financial Information *continued*

7.19.4 Magellan Global Fund historical statements of cash flow

The Magellan Global Fund historical statements of cash flow for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 are shown in the table below.

	June 2018 \$'000	June 2019 \$'000	June 2020 \$'000
Cash Flows From Operating Activities			
Interest received	10,735	31,744	9,816
Dividends and distributions received (net of withholding tax)	116,323	125,303	132,726
Other income received	370	327	42
Management and performance fees paid	(135,342)	(154,699)	(167,573)
Other expenses paid	(1,879)	(997)	(1,518)
Net Cash Inflows/(Outflows) From Operating Activities	(9,793)	1,678	(26,507)
Cash Flows From Investing Activities			
Purchase of investments	(2,342,715)	(2,805,682)	(4,100,299)
Proceeds from sale of investments	3,424,495	2,445,142	5,707,917
Net foreign exchange gains/(losses)	(10,240)	133,160	(5,960)
Net Cash Inflows/(Outflows) From Investing Activities	1,071,540	(227,380)	1,601,658
Cash Flows From Financing Activities			
Receipts from issue of units	1,391,037	1,484,264	1,845,675
Payments for redemption of units	(1,888,212)	(1,555,647)	(1,957,586)
Distributions paid	(187,905)	(587,398)	(440,390)
Net Cash Inflows/(Outflows) From Financing Activities	(685,080)	(658,781)	(552,301)
Net Increase/(Decrease) In Cash And Cash Equivalents	376,667	(884,483)	1,022,850
Cash and cash equivalents at the beginning of the period	1,372,498	1,819,756	899,232
Effect of exchange rate fluctuations on cash and cash equivalents	70,591	(36,041)	(144,942)
Cash And Cash Equivalents At End Of Period	1,819,756	899,232	1,777,140

7.19.5 Magellan Global Fund historical statement of financial position and Pro Forma Historical Statement of Financial Position

The Magellan Global Fund historical statement of financial position and Pro Forma Historical Statement of Financial Position as at 30 June 2020 is shown in the table below.

	Historical Statement of Financial Position \$'000	Acquisition of MGE ¹ \$'000	Acquisition of MGG ¹ \$'000	Reclassification of Unitholders' Funds ² \$'000	Pro forma Historical Statement of Financial Position \$'000
Cash and cash equivalents	1,777,140	—	—	—	1,777,140
Receivables	21,646	—	—	—	21,646
Investments	9,824,892	1,627,125	2,221,975	—	13,673,992
Total Assets	11,623,678				15,472,778
Payables	26,692	—	—	—	26,692
Distributions payable	463,812	—	—	—	463,812
Total Payables	490,504	—	—	—	490,504
Total Unitholders' Funds	11,133,174	1,627,125	2,221,975	(14,982,274)	—
Net Assets Attributable To Unitholders – Liability	—			14,982,274	14,982,274

1. Refer to 7.19.5.1 (b) for discussion of the acquisitions under AASB 10 *Consolidated Financial Statements* and 7.19.6 for historical statements of financial position of MGE and MGG as at 30 June 2020.

2. Refer to 7.19.5.1 (c) for discussion of reclassification of unitholders' equity to financial liability.

7 Information about the Magellan Global Fund

7.19 Financial Information *continued*

7.19.5.1 Proforma Adjustments

- Expenses related to the Restructure will be paid by the Magellan Group. No expenses related to the Restructure will be paid out of the assets of Magellan Global Fund, MGE or MGG.
- As an investment entity defined under AASB 10 Consolidated Financial Statements, Magellan Global Fund will record the acquisition of MGE and MGG at the fair value of the equity interests of MGE and MGG. For the purposes of the Pro Forma Historical Statement of Financial Position, the fair value of MGE and MGG is measured at the respective NAV of each fund as the most meaningful value to reflect the terms of the transaction, as disclosed in Section 7.19.6.
- The Units issued by Magellan Global Fund are classified as a financial liability in the pro forma consolidated statement of financial position as Magellan Global Fund has two classes of units that are differentiated by redemption rights. As a consequence, the two classes of units do not have identical features and meet the classification as a financial liability under AASB 132: *Financial Instruments: Presentation*.

7.19.6 MGE and MGG historical statements of financial position

The MGE and MGG historical statements of financial position as at 30 June 2020 is shown in the table below.

	MGE as at June 2020 \$'000	MGG as at June 2020 \$'000
Cash and cash equivalents	256,848	417,424
Receivables	3,076	3,104
Investments	1,437,536	1,853,200
Total Assets	1,697,460	2,273,728
Derivative liabilities	—	6,163
Payables	2,332	3,115
Distributions payable	68,003	42,475
Total Liabilities	70,335	51,753
Total Unitholders' Equity	1,627,125	2,221,975

7.19.7 Pro forma Magellan Global Fund Units and NAV

Pro forma Units on issue and NAV per Unit of Magellan Global Fund following the completion of the Restructure are shown in the table below.

The Pro forma Units on issue and NAV per Unit of Magellan Global Fund is intended to be illustrative only and may not reflect the actual or prospective financial position of Magellan Global Fund as at the date of this Explanatory Memorandum and does not reflect Magellan Global Fund RE's expectations in respect of the Units on issue and NAV per Unit of each unit class before or after implementing the Restructure.

	Historical June 2020 \$'000	Adjustments \$'000	Proforma June 2020 \$'000
Open Class			
Net Asset Value attributable to Open Class Units	11,133,174	1,627,125	12,760,299
Units on Issue	4,417,255	645,589	5,062,844
NAV per Unit	2.5204		2.5204
Closed Class			
Net Asset Value attributable to Closed Class Units	—	2,221,975	2,221,975
Units on Issue	—	1,234,734	1,234,734
NAV per Unit	—	—	1.7996
Net Assets Attributable To Unitholders – Liability			14,982,274

- The proportion of Closed Class Units and Open Class Units has been calculated on the basis that MGG's unitholder funds represents Closed Class Units and the sum of Magellan Global Fund and MGE unitholder funds represents Open Class Units as at 30 June 2020; and
- The number of Open Class Units issued by Magellan Global Fund is based on the MGE Exchange Ratio calculated as at 30 June 2020 multiplied by the number of MGE units on issue at 30 June 2020. The number of MGE units on issue are derived from the audited financial statements of MGE for the year ended 30 June 2020. The number of Closed Class Units issued by Magellan Global Fund is based on the MGG Exchange Ratio calculated as at 30 June 2020 (see Section 3.3) multiplied by the number of MGG Units on issue at 30 June 2020. The number of MGG units on issue is derived from the audited financial statements of MGG for the year ended 30 June 2020.

7 Information about the Magellan Global Fund

7.20 Material contracts

a) MFG Commitment Deed

MFG has entered into a commitment deed with Magellan Global Fund RE, whereby MFG covenants in favour of Magellan Global Fund RE to pay the costs and expenses associated with the Restructure, including listing the Magellan Global Fund on the ASX and quotation of the Open Class Units and Closed Class Units (**MFG Commitment Deed**).

MFG has no right to terminate the MFG Commitment Deed. The MFG Commitment Deed will automatically terminate where the Implementation Deed is terminated, if either the MGG Trust Scheme or MGE Trust Scheme does not become effective by 2 August 2021, or on the retirement or removal of Magellan Global Fund RE as responsible entity of the Magellan Global Fund.

b) MFG Equity Commitment Deed

MFG has entered into an equity commitment deed with Magellan Global Fund RE in relation to certain other matters relating to the Restructure and set out in this Explanatory Memorandum (**MFG Equity Commitment Deed**).

Under the terms of the MFG Equity Commitment Deed, MFG covenants in favour of Magellan Global Fund RE to:

- i) bear the economic cost associated with the exercise price of the MGF Options (which incorporates a discount to NAV), being the dilutive effect on the NAV per Closed Class Unit, by paying an amount equal to the discount on the issue of the Closed Class Unit(s) on exercise of the MGF Options; and
- ii) bear the economic cost associated with the additional units issued to applicants under the MGF Partnership Offer, being the dilutive effect on NAV per Closed Class Units, by paying an amount equal to 7.5% of the total value of subscription monies received from applicants who are allotted Closed Class Units.

Under the terms of the MFG Equity Commitment Deed, MFG must provide its consent (not to be unreasonably withheld) to the lodgement by Magellan Global Fund RE of the product disclosure statements issued in relation to the Bonus MGF Option Issue and the MGF Partnership Offer. In addition, Magellan Global Fund RE must consult with MFG on the number of Closed Class Units to be allotted under the MGF Partnership Offer and take all actions to adjust such number as MFG may request and Magellan Global Fund RE considers reasonable.

The MFG Equity Commitment Deed will automatically terminate where the Implementation Deed or MGE Implementation Deed is terminated, if either the MGG Trust Scheme or MGE Trust Scheme does not become effective by 2 August 2021, or on the retirement or removal of Magellan Global Fund RE as responsible entity of the Magellan Global Fund (except where it is replaced as responsible entity by a related body corporate of MFG). MFG may terminate the MFG Equity Commitment Deed prior to the completion of the MGF Partnership Offer and Bonus MGF Option Issue, if either certain conditions precedent are not fulfilled, or where Magellan Global Fund RE does not proceed with the MGF Partnership Offer and Bonus MGF Option Issue. Magellan Global Fund RE may terminate the MFG Commitment Deed in certain circumstances, including the insolvency of MFG or if regulatory approvals are not granted or subsequently withdrawn.

c) MFG DRP Commitment Deed

MFG has entered into an equity commitment deed with Magellan Global Fund RE in relation to the Magellan Global Fund DRP that is proposed to apply following the implementation of the MGG Trust Scheme (**MFG DRP Commitment Deed**).

Under the terms of the MFG DRP Commitment Deed, MFG covenants in favour of Magellan Global Fund RE to pay an amount equal to the dilutive effect of any DRP discount, subject to the approval by MFG of each particular discounted DRP offer.

The MFG DRP Commitment Deed will automatically terminate where the Implementation Deed or MGE Implementation Deed is terminated, if either the MGG Trust Scheme or MGE Trust Scheme does not become effective by 2 August 2021, or on the retirement or removal of Magellan Global Fund RE as responsible entity of the Magellan Global Fund (except where it is replaced as responsible entity by a related body corporate of MFG). MFG may terminate the MFG DRP Commitment Deed if certain conditions precedent are not fulfilled. Magellan Global Fund RE may terminate the MFG DRP Commitment Deed in certain circumstances, including the insolvency of MFG or if regulatory approvals are not granted or subsequently withdrawn.

7.21 Summary of the Magellan Global Fund's Constitution

Magellan Global Fund is governed under the law and by the Constitution of Magellan Global Fund. If the MGG Trust Scheme is implemented, you agree to be bound by the terms of the Magellan Global Fund Constitution.

In connection with the Restructure, the Magellan Global Fund Constitution is proposed to be amended by way of a special resolution of the members of Magellan Global Fund at an unitholder meeting to be convened on the same date as the Meeting (**Magellan Global Fund Unitholder Meeting**). References to the Magellan Global Fund Constitution in this section refer to the proposed constitution of Magellan Global Fund assuming the relevant amendments have been passed at the Magellan Global Fund Unitholder Meeting.

Investors can inspect a copy of the proposed Magellan Global Fund Constitution at Magellan Global Fund RE's head office or Magellan Global Fund RE will provide a copy free of charge.

A summary of the key rights and obligations attaching to the Magellan Global Fund Open Class Units and Closed Class Units and a description of the material provisions of the Magellan Global Fund Constitution (as amended if the MGG Trust Scheme and the MGE Trust Scheme are approved) are set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the terms of the Magellan Global Fund Constitution.

The rights and obligations attaching to ownership of Magellan Global Fund Open Class Units and Closed Class Units are also conferred or affected by the Corporations Act, the ASX Listing Rules or the AQUA Rules (as applicable) and general law.

7 Information about the Magellan Global Fund

7.21 Summary of the Magellan Global Fund's Constitution *continued*

a) Units

The beneficial interest in the Magellan Global Fund is divided into Units. Each Unit confers on its unitholder an undivided beneficial interest in Magellan Global Fund as a whole, subject to Magellan Global Fund's liabilities, not in parts of or single assets. All Units confer identical interests and rights except as otherwise provided by their terms.

MGG Trust Scheme Participants will be issued Closed Class Units in connection with the MGG Trust Scheme.

Magellan Global Fund RE may issue Units subject to the terms and conditions of the Magellan Global Fund Constitution, including by way of placement, rights issue, unit purchase plan, distribution reinvestment plan or consideration for a takeover. The Magellan Global Fund Constitution provides Magellan Global Fund RE with the discretion to determine the issue price in relation to Units where permitted by ASIC exemptions and the ASX Listing Rules.

No Units may be issued after the 80th anniversary of the date Magellan Global Fund commenced if to do so would contravene any legal rules.

Key similarities and differences between Open Class Units and Closed Class Units are set out in Sections 7.5 to 7.18 but set out below are specific rights and protections that apply to Open Class Units and Closed Class Units.

b) Closed Class Units

- i) Magellan Global Fund RE must seek approval from holders of Closed Class Units for a Control Transaction (which is essentially a transaction that would give someone a majority interest in Magellan Global Fund and would be effected by a trust scheme proposed by Magellan Global Fund RE).
- ii) Holders of Closed Class Units must approve any matter that requires approval by unitholders under the ASX Listing Rules (for example, approval of issues of Closed Class Units where the Listing Rules require it).
- iii) Holders of Closed Class Units must approve any issue of Closed Class Units during takeover bids in relation to Closed Class Units or during proposals to remove the responsible entity initiated by a holder of more than 50% of the issued Closed Class Units.
- iv) Holders of Closed Class Units may, subject to some conditions and qualifications, require Magellan Global Fund RE, by special resolution, to apply to de-list Magellan Global Fund from ASX and redeem all Closed Class Units.

The first approval right is to allow holders of Closed Class Units to separately assess a transaction affecting control of Magellan Global Fund that is put forward by Magellan Global Fund RE. The second two approval rights are to reflect ASX Listing Rule requirements that would otherwise apply to Magellan Global Fund as a whole. The redemption right is to simulate a right to wind up Magellan Global Fund insofar as it relates to holders of Closed Class Units.

Approval is by an ordinary resolution (unless the applicable ASX Listing Rules require a special resolution) or the consent in writing of 50% of all holders of Closed Class Units.

These rights and other rights conferred on holders of Closed Class Units are protected as class rights (that is, they cannot be altered without approval by special resolution by, or written consent of three quarters of, holders of Closed Class Units).

c) Open Class Units

- i) Magellan Global Fund RE must seek approval from holders of Open Class Units for a Control Transaction (which is essentially a transaction that would give someone a majority interest in Magellan Global Fund and would be effected by a trust scheme proposed by Magellan Global Fund RE).
- ii) Holders of Open Class Units must approve any matter that requires approval by unitholders under Chapters 10 and 11 of the ASX Listing Rules (for example, a significant change in the activities of Magellan Global Fund or related party transactions and unit issues to related parties).
- iii) Holders of Open Class Units may, subject to some conditions and qualifications, require Magellan Global Fund RE, by special resolution, to cease the quotation of Open Class Units under the AQUA Rules, and to redeem all Open Class Units.

The first approval right is to allow holders of Open Class Units to separately assess a transaction affecting control of Magellan Global Fund that is put forward by Magellan Global Fund RE. The second approval right is provided because such transactions will be significant for both Classes of Units (and the interests of each Class may not be aligned). The redemption right is to simulate a right to wind up Magellan Global Fund insofar as it relates to holders of Open Class Units.

Approval is by an ordinary resolution (unless the applicable ASX Rules require a special resolution) or the consent in writing of 50% of all holders of Open Class Units.

These rights and other rights conferred on holders of Open Class Units are protected as class rights (that is, they cannot be altered without approval by special resolution by, or written consent of three quarters of, holders of Open Class Units).

d) Liability of Unitholders

Under section 100A of the New South Wales Trustee Act, 1925, a beneficiary under a trust is not liable to indemnify the trustee or make any other payment to the trustee or any other person for any act, default, obligation or liability of the trustee (unless the beneficiary has otherwise agreed in writing or, in summary, in relation to partly-paid interests in the trust). Because the precise effect and extent of this protection is yet to be determined by the courts, the Magellan Global Fund Constitution also states that a Magellan Global Fund Unitholder's liability is limited to the amount the Magellan Global Fund Unitholder subscribed or agreed to be subscribed for their Units (subject to the Magellan Global Fund Constitution itself and the terms of a class of Units) but again, courts are yet to determine the effectiveness of provisions of this kind.

7 Information about the Magellan Global Fund

7.21 Summary of the Magellan Global Fund's Constitution *continued*

e) Magellan Global Fund RE's powers

Magellan Global Fund RE has all the power in relation to the Magellan Global Fund, and its assets and liabilities that is legally possible for a natural person, corporation or trustee or responsible entity to have including to invest in, dispose of or otherwise deal with assets, borrow or raise money, incur liabilities and obligations of any kind, grant a security interest over the Magellan Global Fund's assets, accept cash contributions as trust property without issuing units, fetter its discretions, mix and mingle the Magellan Global Fund's assets with the property of others. Magellan Global Fund RE may also delegate its powers to another person, including to a related party or an associate.

f) Magellan Global Fund RE's remuneration and recovery of expenses

The Magellan Global Fund Constitution provides Magellan Global Fund RE is entitled to charge the fees summarised in Section 10 of this Explanatory Memorandum. All expenses and outgoings reasonably and properly incurred by Magellan Global Fund RE in the proper performance of its duties may be payable or reimbursable out of Magellan Global Fund's assets and, if appropriate, such expenses may be allocated to a particular class of Magellan Global Fund Unitholders.

g) Magellan Global Fund RE's indemnity

To the extent permitted by the Corporations Act, Magellan Global Fund RE is entitled to be indemnified out of the Trust Property for any liability incurred by it in performing properly any of its duties or exercising any of its powers in relation to Magellan Global Fund. This right of indemnity is not lost by reason of a separate incident that was itself a breach of trust. This indemnity is in addition to any indemnity under law. The Magellan Global Fund RE has ongoing rights of indemnity after it has retired or been removed.

h) Removal and retirement of Magellan Global Fund RE

Unitholders do not have a right to remove Magellan Global Fund RE as the responsible entity other than the rights granted by the Corporations Act. The Corporations Act provides for when and how a responsible entity can be changed. In accordance with the Corporations Act, Magellan Global Fund RE can be removed as responsible entity by an ordinary resolution of all unitholders, taken as a whole.

Magellan Global Fund RE may retire in accordance with the Corporations Act (and upon giving at least one month's notice) and must retire when required under the Corporations Act.

i) Duration of Magellan Global Fund

Magellan Global Fund will continue, subject to the Corporations Act, until terminated by Magellan Global Fund RE on a date specified in a notice given to Unitholders.

From the termination date, Magellan Global Fund RE must realise trust assets and pay trust liabilities and then distribute the net proceeds referable to a class of Units pro rata to holders of Units in that class.

j) Changing the Magellan Global Fund Constitution

Subject to the Corporations Act, Magellan Global Fund RE may amend the Magellan Global Fund Constitution by deed. Under the Corporations Act, a responsible entity may amend a constitution if it reasonably considers the amendments will not adversely affect members' rights. Otherwise, a responsible entity must obtain members' approval by a special resolution at a meeting of members. Any amendment to the Magellan Global Fund Constitution will not be effective until the modification is lodged with ASIC. Additionally, any change that varies or cancels the rights attached to a Class may only be effected with the consent of holders of that Class (either by special resolution by, or written consent of three quarters of, the holders of that Class).

k) Unitholder meetings and voting

Unitholder meetings are to be held in accordance with the Constitution and the Corporations Act. Under the Corporations Act, Magellan Global Fund RE may convene and conduct a meeting at any time and must do so if required under the Corporations Act. Magellan Global Fund Unitholders also have rights under the Corporations Act to call and hold members' meetings. Votes are by show of hands, unless a poll is validly demanded or required under the Corporations Act or the ASX Listing Rules or AQUA Rules. Meetings of Magellan Global Fund Unitholders in a Class can be called and held in the same manner as applies to Magellan Global Fund Unitholder Meetings.

l) Proportional takeover bid

The Magellan Global Fund Constitution sets out the process required for a person to obtain approval from Magellan Global Fund Unitholders (or a Class) for a proportional takeover bid.

Transfers of Magellan Global Fund Units resulting from a Magellan Global Fund Unitholder accepting an offer under a proportional takeover bid will be prohibited unless this process is followed.

m) Small holdings

In certain circumstances, Magellan Global Fund RE may sell any Units in a quoted Class held by a Magellan Global Fund Unitholder which comprise less than a marketable parcel. This is to avoid the administrative cost and inconvenience of maintaining a register of multiple small holdings.

7 Information about the Magellan Global Fund

7.22 Magellan Global Fund RE's Intentions

The intentions set out in this section are statements of current intention only and are based on facts and circumstances that are known to the Magellan Global Fund RE as at the date of preparing this Explanatory Memorandum. Final decisions will only be made by the Magellan Global Fund RE after implementation of the MGG Trust Scheme.

The directors of Magellan Global Fund RE confirm that they have made enquiries and nothing has come to their attention to suggest that Magellan Global Fund is not continuing to earn profit from continuing operations up to the date of this Explanatory Memorandum. Accordingly, the intentions set out in this section may change as new information becomes available or circumstances change.

Following implementation of the MGG Trust Scheme, Magellan Global Fund will hold all of the units of MGG. In particular, the Magellan Global Fund RE intends to:

- remove MGG from the official list of the ASX;
- apply for deregistration of MGG as a managed investment scheme under Chapter 5C of the Corporations Act; and
- continue to operate MGG as an investment trust.

7.23 Post-Restructure MGF Partnership Offer

Magellan Global Fund RE intends to undertake the MGF Partnership Offer in Magellan Global Fund after the implementation of the Restructure (**MGF Partnership Offer**).

The material terms of the MGF Partnership Offer are outlined below.

The MGF Partnership Offer is subject to the successful implementation of the Restructure and regulatory approvals. Product disclosure statements are expected to be lodged with ASIC by Magellan Global Fund RE on 8 January 2021. Once available, eligible Magellan Global Fund Unitholders will need to consider the product disclosure statements in deciding whether or not to subscribe for Closed Class Units and MGF Options. Relevant dates in respect of the MGF Partnership Offer will be disclosed in the product disclosure statements.

Eligibility to participate	<p>All Magellan Global Fund Unitholders who hold Magellan Global Fund Units (both Open Class Units and Closed Class Units) on the Implementation Date, who have a registered address in Australia, New Zealand, Hong Kong or Singapore are expected to be eligible to participate in the MGF Partnership Offer (Eligible Magellan Global Fund Unitholders).</p> <p>Eligible Magellan Global Fund Unitholders need to be a Magellan Global Fund Unitholder on the MGF Partnership Offer Calculation Date in order to receive their entitlement to participate in the MGF Partnership Offer. Magellan Global Fund RE currently intends that the MGF Partnership Offer Calculation Date will be the date that it submits the product disclosure statements. This is expected to be 8 January 2021.</p>
Offer	<p>Eligible Magellan Global Fund Unitholders will be invited to subscribe for \$1 of Closed Class Units for every \$4 of Magellan Global Fund Units held (the Entitlement).</p> <p>Successful applicants under the MGF Partnership Offer will also receive:</p> <ul style="list-style-type: none"> – Additional Closed Class Units worth 7.5% of their subscription at no additional cost. – One MGF Option for each Closed Class Unit they are issued under the MGF Partnership Offer. <p>The Entitlement that Eligible Magellan Global Fund Unitholders receive will be calculated based on the Magellan Global Fund Units held on the MGF Partnership Offer Calculation Date. Eligible Magellan Global Fund Unitholders who do not hold any Magellan Global Fund Units on the MGF Partnership Offer Calculation Date will not receive an entitlement to participate in the MGF Partnership Offer.</p> <p>The number of Magellan Global Fund Units held by an Eligible Magellan Global Fund Unitholder, for the purposes of calculating their Entitlement, will be capped at the number of Magellan Global Fund Units held on the Implementation Date.</p> <p>Entitlements will be non-renounceable and therefore if they are not exercised, they will lapse.</p>
Issue price of new Closed Class Units	<p>Each Closed Class Unit will be issued at the NAV per Closed Class Unit on the Business Day immediately prior to the allotment of the new Closed Class Units under the MGF Partnership Offer.</p> <p>As at the date of this Explanatory Memorandum, the issue price is not known.</p> <p>In line with Magellan's partnership approach, and in accordance with the terms of the MFG Equity Commitment Deed, Magellan Group will pay to the Magellan Global Fund an amount of consideration equal to the value of the 7.5% of additional Closed Class units to minimise dilution to Magellan Global Fund Unitholders who do not participate in the MGF Partnership Offer.</p>
MGF Option terms	<p>A summary of the rights and liabilities attaching to the MGF Options is provided under Section 7.25.</p>
Number of Closed Class Units to be issued under the MGF Partnership Offer	<p>The number of Closed Class Units to be issued under the MGF Partnership Offer is not yet known as the Issue Price will be set at a future date with reference to the NAV per Closed Class Unit.</p> <p>Based on the pro forma capital structure in Section 7.6 assuming the Restructure is implemented and based on net asset value as at 30 September 2020, the maximum number of Closed Class Units that may be issued as a result of the MGF Partnership Offer is estimated as 2,290,743,718 (if 100% of the offer is subscribed for).</p>

7 Information about the Magellan Global Fund

7.23 Post-Restructure MGF Partnership Offer *continued*

Indicative offer dates	As at the date of this Explanatory Memorandum, the MGF Partnership Offer is expected to open on or around 18 January 2021 and close on or around 23 February 2021. These dates are subject to change and are subject to the implementation of the Restructure and regulatory approvals.
Purpose of the MGF Partnership Offer	Magellan Global Fund RE has committed to undertake the MGF Partnership Offer in partnership with Magellan Group to provide partnership benefits to all unitholders of the Magellan Global Fund post implementation of the Restructure. Any funds raised under the MGF Partnership Offer will be invested in line with the Magellan Global Fund investment strategy.
Other conditions	Holdings of Closed Class Units on the Implementation Date and the MGF Partnership Offer Calculation Date must be held under the same HIN or SRN at both dates otherwise the Magellan Global Fund Unitholder will not be eligible to participate in the MGF Partnership Offer. For indirect Magellan Global Fund Unitholders, being persons who hold interests through an intermediary and are not the registered legal owner, it is at the discretion of the intermediary whether to extend the ability to participate in the MGF Partnership Offer to its beneficiaries.

7.24 Bonus MGF Option Issue to Closed Class Unitholders

A separate bonus issue of MGF Options (**Bonus MGF Option Issue**) is proposed to be made to eligible Closed Class Unitholders on the basis of one MGF Option for every two Closed Class Units held on the Bonus MGF Option Issue Record Date.

Eligible Closed Class Unitholders will be those Closed Class Unitholders on the register at 7.00pm on the Bonus MGF Option Issue Record Date, being the Business Day immediately prior to the allotment of Closed Class units under the MGF Partnership Offer.

Open Class Unitholders will not be eligible for the Bonus MGF Option Issue.

7.25 Terms of the MGF Options

All MGF Options issued either as part of the MGF Partnership Offer or Bonus MGF Option Issue have identical terms. The rights and liabilities attaching to the MGF Options are summarised below as follows:

Term	Description
Issue price	Nil
Underlying security	Each MGF Option is exercisable into one Closed Class Unit in Magellan Global Fund.
Exercise price	Each MGF Option has an exercise price of 92.5% of the prevailing net asset value of Closed Class Units at the time the Option is exercised. In accordance with the terms of the MFG Equity Commitment Deed, Magellan Group will bear the economic cost associated with the 7.5% discount each time a MGF Option is exercised.
Exercise period	From the date that is three months from the Bonus MGF Option Issue Date until 4:00pm (Sydney time) on the date that is the third anniversary from their issue.
Exercise	May only be exercised during the Exercise Period by completing a document (including in electronic format) approved by the Magellan Global Fund RE and making payment in cleared funds by any payment method approved by Magellan Global Fund RE.
Expiry	If a MGF Option is not exercised during the exercise period, it will automatically lapse/expire at the end of the exercise period.
Participation in new issues or distributions entitlement	No entitlement until MGF Options are exercised. Closed Class Units issued on exercise of a MGF Option will rank equally with then issued Closed Class Units and are subject to the Magellan Global Fund Constitution.
Reconstructions or alterations of capital	Any adjustment to the number of outstanding MGF Options and the exercise price under a restructure or reorganisation of the Magellan Global Fund's capital must be made in accordance with the ASX Listing Rules, subject to any class waiver, at the time of the restructure or reorganisation provided always that the changes to the terms of the MGF Options do not result in any benefit being conferred on the MGF Option holder which is not conferred on Closed Class Unitholders.
ASX Listing	Magellan Global Fund RE will apply to ASX for quotation of the MGF Options on ASX.

8 Overview of the Investment Strategy and Investment Manager

8.1 Investment objective

The investment objectives of the Magellan Global Fund are to achieve attractive risk-adjusted returns over the medium to long-term, whilst reducing the risk of permanent capital loss.

8.2 Investment strategy

The Magellan Global Fund offers investors an opportunity to invest in a specialised and focused global equity fund.

In its capacity as investment manager, the Magellan Global Fund RE aims to invest in companies that have sustainable competitive advantages which translate into returns on capital in excess of their cost of capital for a sustained period of time. The Magellan Global Fund RE endeavours to acquire these companies at discounts to their assessed intrinsic value. The Magellan Global Fund's portfolio comprises 20 to 40 investments. The Magellan Global Fund RE believes such a portfolio will achieve sufficient diversification to ensure the Magellan Global Fund is not overly correlated to a single company, or to industry specific or macroeconomic risks.

It is not the Magellan Global Fund RE's intention to hedge the foreign currency exposure of the Magellan Global Fund arising from investments in overseas markets.

8.3 Historical performance

The below table outlines the performance for Magellan Global Fund as at 30 September 2020 since inception on 1 July 2007. Calculations are based on exit prices with distributions reinvested in the same portfolio, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable).

Investors should note that Magellan Global Fund's past performance is not indicative of future performance.

Performance	3 months	6 months	1 year	3 years (% per annum)	5 years (% per annum)	Since Inception (% per annum)
Magellan Global Fund	3.42%	5.41%	7.41%	15.99%	11.80%	12.05%

8.4 Investment parameters

The key investment parameters for the construction of the Portfolio will be based on the following principles:

Underlying Exposure	Guidelines						
Number of companies	Typically, 20-40 companies.						
Asset classes and asset allocation ranges	<p>Magellan Global Fund's assets are typically invested within the following asset allocation ranges:</p> <table><tr><th>Asset class</th><th>Investment range</th></tr><tr><td>Listed securities</td><td>80% – 100%</td></tr><tr><td>Cash & cash equivalents</td><td>0% – 20%</td></tr></table>	Asset class	Investment range	Listed securities	80% – 100%	Cash & cash equivalents	0% – 20%
Asset class	Investment range						
Listed securities	80% – 100%						
Cash & cash equivalents	0% – 20%						
Investments held	<p>Magellan Global Fund primarily invests in the securities of companies listed on stock exchanges around the world, but will also have some exposure to cash and cash equivalents.</p> <p>Magellan Global Fund can use foreign exchange contracts to facilitate settlement of stock purchases. It is not Magellan Global Fund RE's intention to hedge the foreign currency exposure of the Magellan Global Fund arising from investments in overseas markets.</p> <p>The Magellan Global Fund may hold listed securities directly or by holding units in MGG and MGE. In this case, the Magellan Global Fund's investments are described on a look-through basis, that is, the underlying assets the Magellan Global Fund is exposed to through its investments in MGG and MGE.</p>						
Industry/Sector	No limitations, subject to Magellan's commitment to responsible investing (refer to Section 8.5).						
Single security position limit	10% of the Magellan Global Fund's Portfolio, on a look-through basis.						
Currency hedging	The Magellan Global Fund will not hedge its foreign currency exposure arising from investments in overseas markets.						
Borrowing policy	The Magellan Global Fund may borrow against all or part of the Portfolio, provided that, at the time, aggregated borrowings do not exceed 5% of the Magellan Global Fund's Portfolio.						

8 Overview of the Investment Strategy and Investment Manager

8.5 Responsible investment

Magellan Global Fund RE is committed to responsible investment and became a signatory to the United Nations-sponsored Principles of Responsible Investment (**PRI**) in March 2012. The PRI is the globally recognised accord for responsible investing. Environmental, social and governance (**ESG**) issues are considered to be a natural component of Magellan Global Fund RE's investment process, as gaining a robust understanding of these issues is a key input to assessing the outlook for future cash flow generation and risks facing investors. Magellan Global Fund RE seeks to apply a rigorous assessment of ESG issues as part of its investment process and act as a responsible owner by engaging with Portfolio companies where a material ESG issue exists and exercising its proxy voting rights where appropriate. Magellan Global Fund RE maintains an ESG policy, which outlines how ESG issues are incorporated into Magellan Global Fund RE's investment analysis framework and investment process.

The Magellan Global Fund will not invest in companies engaged in "high roller" casino gaming and the production of tobacco.

In May 2017, Magellan became a signatory of the PRI Montreal Pledge. Under the Pledge, Magellan Global Fund RE commits to measure and publicly disclose the carbon footprint of its actively managed investment portfolios. As such Magellan Global Fund RE publicly discloses the carbon footprint of the Magellan Global Fund.

8.6 Allocation policy

Magellan is also responsible for managing a number of other funds and investment mandates (collectively **Clients**) and it applies the same general investment philosophy and methodology in managing each of them (subject to any investment restrictions or guidelines specific to any vehicle). Therefore, it is not uncommon for Magellan Global Fund RE to be purchasing or selling the same security on behalf of several Clients at or about the same time. Trade allocation is determined on a basis that is fair, reasonable and equitable to all of Magellan Global Fund RE's Clients to avoid any Client receiving preferential treatment. This process is generally facilitated by amalgamating Client orders placed for the same security and trading strategy into a single block-booked trade. In situations where a trade involving two or more Clients receives a partial fill, allocations are applied equitably on a pro-rata basis to the respective Client accounts. In the instance where an allocation to a Client account would be very small, Magellan Global Fund RE's trading procedures allow for allocation discretion.

8.7 Labour standards and environmental, social and ethical considerations

Magellan Global Fund RE believes that issues relating to labour standards, and to environmental, social and ethical considerations have the potential to affect the business outcomes of the Global Fund's investment companies. Accordingly, Magellan Global Fund RE reviews labour standards, environmental, social and ethical considerations as part of the risk assessment that is completed when it determines the investment grade status of a company.

8.8 Changes to the investment strategy

Magellan Global Fund RE has the right to change the Magellan Global Fund's investment return objective, asset classes and asset allocation ranges and currency strategy (if any), without prior notice in some cases. Magellan Global Fund RE will inform investors of any material changes to the Magellan Global Fund's details in its next regular communication or as otherwise required by law.

8 Overview of the Investment Strategy and Investment Manager

8.9 Investment team

As at 30 September 2020, Magellan Global Fund RE's investment team comprised 34 investment professionals, with expertise across different industries, and three trading professionals.

Hamish Douglass is Co-Founder and Chairman of MFG, Chief Investment Officer of Magellan Global Fund RE and is the Lead Portfolio Manager of Magellan's Global Equities strategies. Hamish Douglass is Portfolio Manager of the Magellan Global Fund and is supported by Magellan Global Fund RE's investment team. This team is organised into sector teams, with investment analysts responsible for global industry coverage within their assigned sector(s) as set out below:

Investment Team		
Franchises ¹	Financials	Infrastructure & Industrial
Technology, Communications & Media	Healthcare	Macro

1. Includes Household and Personal Care, Food, Consumer Staples and Retailing, Restaurants, Textiles, Apparel and Luxury Goods and specialty retailing.

Portfolio Managers to the Magellan Global Fund

Portfolio Manager	Biography
Hamish Douglass	Hamish Douglass is Co-Founder, Chairman of Magellan Group, Chief Investment Officer of Magellan Global Fund RE, and Lead Portfolio Manager of Magellan Global Fund RE's Global Equities strategies. Prior to establishing the Magellan Group, Mr Douglass was Co-Head of Global Banking for Deutsche Bank AG in Australia and New Zealand. Mr Douglass is a former member of the Australian Government's Financial Literacy Board, the Australian Government's Takeovers Panel, the Australian Government's Foreign Investment Review Board and the Forum of Young Global Leaders – World Economic Forum. Mr Douglass is a Director of the Victor Chang Cardiac Research Institute.
Arvid Streimann, CFA	Arvid Streimann joined Magellan in 2014 as a Senior Analyst in the Financials Team. In 2017, Arvid was appointed Head of Macro research and chairs the Macro Committee. In 2018, he was made a Portfolio Manager and in 2020 he was promoted to co-Portfolio Manager of the Global Equities Strategy. Arvid is a member of Magellan's Investment Committee. Prior to Magellan, Arvid spent 10 years in the research departments of Morgan Stanley and UBS, covering financial institutions and economics. Previously, Arvid assisted insurers with their growth strategies at Aon and spent four years in the Reserve Bank of Australia's economics and financial markets groups. Arvid holds a Bachelor of Economics (First Class Honours) from the Australian National University and is a CFA Charterholder.

9 Risk Factors

If the MGG Trust Scheme is implemented, MGG Unitholders (other than Ineligible Foreign MGG Unitholders) will receive Closed Class Units.

There are a number of risks and uncertainties in relation to the MGG Trust Scheme and the Magellan Global Fund which MGG Unitholders should take into account when considering how to vote on the MGG Trust Scheme Resolutions. These include:

- a) risks specific to the MGG Trust Scheme;
- b) risks specific to Magellan Global Fund;
- c) risks specific to Closed Class Units; and
- d) risks specific to Open Class Units.

All investments carry risk. The likely investment return and the risk of losing money is different for each investment strategy as different strategies carry different levels of risk depending on the underlying mix of assets that makes up each fund. Those assets with potentially the highest long-term return (such as equities) may also have the highest risk of losing money in the shorter term.

Risks can be managed but they cannot be completely eliminated. It is important that you understand that:

- the value of your investment will rise and fall;
- investment returns will vary and future returns may differ from past returns;
- returns are not guaranteed and there is a risk that you may lose some money on any investment you make; and
- laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on various factors and may include your age, investment timeframe, where other parts of your wealth are invested and your overall tolerance to risk. You may wish to consult a licensed financial adviser to better understand the risks involved with the MGG Trust Scheme or an investment in the Magellan Global Fund.

The risks identified in this Section 9 are not exhaustive and do not take into account individual MGG Unitholders' investment objectives, financial situation, tax position or particular needs.

9.1 Risks specific to the MGG Trust Scheme

a) Implementation and execution risk

MGG Unitholders may be subject to execution risk if the MGG Trust Scheme is approved by MGG Unitholders and is subsequently implemented. There is a risk that there are inadequacies with systems and procedures or the skill of the personnel managing implementation of the MGG Trust Scheme, which could lead to some or all of the expected benefits of the MGG Trust Scheme not being achieved.

b) Tax consequences for MGG Unitholders

If the MGG Trust Scheme is implemented, there may be tax consequences for MGG Unitholders. MGG Unitholders should seek their own professional advice regarding the individual tax consequences of the MGG Trust Scheme applicable to them. In addition, MGG Unitholders may be exposed to potentially higher capital gains tax liability when compared to their current investment in MGG. MGG Unitholders who hold Closed Class Units will be assessed for tax on their share of net income and net capital gains generated by Magellan Global Fund that is attributed to them under the AMIT rules.

c) Ineligible Foreign MGG Unitholders – Proceeds from sale of Closed Class Units by the Sale Nominee is not certain

The Sale Nominee will be issued Closed Class Units attributable to Ineligible Foreign MGG Unitholders. There is no guarantee regarding the market price that will be realised by the Sale Nominee or the future market price of Closed Class Units.

9 Risk Factors

9.2 Risks specific to the Magellan Global Fund

The significant risks specific to an investment in the Magellan Global Fund include:

- a) **ASX liquidity risk:** The liquidity of trading in the Magellan Global Fund Units on the ASX may be limited. This may affect an investor's ability to buy or sell Magellan Global Fund Units. Investors will not be able to buy or sell Magellan Global Fund Units on the ASX during any period that ASX suspends trading of Magellan Global Fund Units. Further, in regard to the Open Class Units, where trading in the Open Class Units on the ASX has been suspended, the ability of investors to apply directly to Magellan Global Fund RE to withdraw their investment in Open Class Units may be suspended and will be subject to the provisions of the Magellan Global Fund Constitution and the Corporations Act.
- b) **Company specific risk:** Investments by the Magellan Global Fund in a company's securities will be subject to many of the risks to which that particular company is itself exposed. These risks may impact the value of the securities of that company and the value of the Magellan Global Fund's portfolio. These risks include such factors as changes in management, actions of competitors and regulators, changes in technology and market trends.
- c) **Concentration risk:** As the Magellan Global Fund will hold a concentrated portfolio of 20 to 40 investments, returns of the Magellan Global Fund may be dependent upon the performance of a small number of individual companies. The concentrated exposure, including aggregation of exposures across companies, may lead to increased volatility in the Magellan Global Fund's Unit prices, and also increases the risk of poor performance.
- d) **Conflicts of interest risk:** Magellan and its various service providers may from time to time act as issuer, investment manager, custodian, unit registry, broker, administrator, distributor or dealer to other parties or funds that have similar objectives to those of the Magellan Global Fund. It is therefore possible that any of them may have potential conflicts of interest with the Magellan Global Fund. Such conflicts of interest include, but are not limited to: management of multiple accounts with varying fee arrangements, trade allocation, provision of liquidity by the Magellan Global Fund RE (acting on behalf of the Magellan Global Fund) in accordance with the ASX AQUA Rules, proxy voting and staff personal trading. Magellan may invest in, directly or indirectly, or manage or advise other funds which invest in assets which may also be purchased by the Magellan Global Fund. Neither Magellan Group nor any of its affiliates nor any person connected with it is under any obligation to offer investment opportunities to the Magellan Global Fund. Magellan Global Fund RE maintains a Conflicts of Interest Policy to provide reasonable assurance that it manages its obligations to the Magellan Global Fund such that all conflicts (if any) are resolved fairly.
- e) **Counterparty risk:** There is a risk that the Magellan Global Fund may incur a loss arising from the failure of another party to a contract (the counterparty) to meet its obligations. Counterparty risk arises primarily from investments in cash, derivatives and currency transactions. Substantial losses can be incurred if a counterparty fails to deliver on its contractual obligations.
- f) **Currency risk:** As the Magellan Global Fund's investments in international assets are unhedged, a rise in the Australian dollar relative to other currencies will negatively impact investment values and returns. Currency markets can be extremely volatile and are subject to a range of unpredictable forces. It is not Magellan's intention to hedge the foreign currency exposure of the Magellan Global Fund arising from investments in overseas markets.
- g) **Derivative risk:** The value of a derivative is derived from the value of an underlying asset and can be highly volatile. Changes in the value of derivatives may occur due to a range of factors that include rises or falls in the value of the underlying asset, potential liquidity of the derivative and counterparty credit risk.
- h) **Distribution policy risk:** Under the distribution policy of the Magellan Global Fund, there may be circumstances where the distribution received by Magellan Global Fund Unitholders in cash may be insufficient to cover a unitholder's tax payable on the income of the Magellan Global Fund attributed to the unitholder.
- i) **iNAV risk:** The iNAV for each Magellan Global Fund Unit class published by the Magellan Global Fund is indicative only and might not be up to date or might not accurately reflect the underlying value of the Magellan Global Fund.
- j) **Leverage risk:** The Magellan Global Fund may borrow against all or part of the Portfolio for investment purposes. Borrowings can magnify the gains and losses in the Magellan Global Fund.
- k) **Liquidity of investments risk:** Whilst the Magellan Global Fund is exposed to listed entities which are generally considered to be liquid investments, under extreme market conditions, there is a risk that such investments cannot be readily converted into cash or at an appropriate price. In such circumstances, the Magellan Global Fund may be unable to liquidate sufficient assets to meet its obligations within required timeframes or it may be required to sell assets at a substantial loss in order to do so.
- l) **Magellan Global Fund risk:** Magellan Global Fund risk refers to specific risks associated with the Magellan Global Fund, such as termination and changes to fees and expenses. The performance of the Magellan Global Fund or the security of an investor's capital is not guaranteed. There is no guarantee that the investment strategy of the Magellan Global Fund will be managed successfully or will meet its objectives. Failure to do so could negatively impact the performance of the Magellan Global Fund. An investment in the Magellan Global Fund is governed by the terms of the Constitution, as amended from time to time. The Magellan Global Fund is also governed by the rules of the ASX and is exposed to risks of listing on that platform, including such things as the platform or settlements process being delayed or failing. ASX may suspend or remove the units from quotation on the ASX. Magellan Global Fund RE may elect, in accordance with the Magellan Global Fund Constitution and the Corporations Act, to terminate the Magellan Global Fund for any reason. Magellan Global Fund assets will be invested, in part or in whole, by holding units in two underlying funds, MGG and MGE and the assets held by Magellan Global Fund, MGG and MGE may differ. There may be a risk that redemptions from the underlying funds are not paid in time to satisfy the liquidity requirements of Magellan Global Fund, or that there may be an increase in operational risk.

9 Risk Factors

9.2 Risks specific to the Magellan Global Fund *continued*

- m) **Market risk:** There is a risk that the market price of the Magellan Global Fund's assets will fluctuate. This may be as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events, pandemic outbreaks, environmental and technological issues.
- n) **Operational risk:** Operational risk includes those risks which arise from carrying on a funds management business. The operation of the Magellan Global Fund requires Magellan Global Fund RE, the Custodian, the Unit Registry, the administrator and other service providers to implement sophisticated systems and procedures. Some of these systems and procedures are specific to the operation of the Magellan Global Fund. Inadequacies with these systems and procedures or the people operating them could lead to a problem with the Magellan Global Fund's operation and may result in a loss to the Magellan Global Fund.
- o) **Performance risk:** There is a risk that the Magellan Global Fund may not achieve the investment objectives of its investment strategy.
- p) **Personnel Risk:** The skill and performance of Magellan Global Fund RE as investment manager can have a significant impact (both directly and indirectly) on the investment returns of the Magellan Global Fund. Changes in key personnel and resources of Magellan Global Fund RE may also have a material impact on investment returns on the Magellan Global Fund.
- q) **Pooled investment scheme risk:** Magellan Global Fund is a managed investment scheme that pools investors' capital to acquire assets. An investor's voting power will change with the number and value of Units on issue in Magellan Global Fund and this could result in that investor's voting power being proportionally diluted. Investors will be assessed for tax on their share of net income and net capital gains generated by Magellan Global Fund that is attributed to them under the AMIT rules. The net income and net capital gains may be a result of the activities of other unitholders in the same unit class, such as redemptions of Open Class Units or increased sales of Open Class Units by market participants, or due to actions of Magellan Global Fund RE, such as the provision of liquidity in Open Class Units on ASX, buying back Closed Class Units on ASX or managing the investments of Magellan Global Fund.
- r) **Regulatory risk:** There is a risk that a change in laws and regulations governing a security, sector or financial markets could have an adverse impact on the Magellan Global Fund or on the Magellan Global Fund's investments. A change in laws or regulations can increase the costs of operating a business and/or change the competitive landscape.
- s) **Target Cash Distribution risk:** The Target Cash Distribution is calculated as a percentage of the average of the month-end NAV per Unit for each unit class over a two year rolling period and therefore there is a risk that the Target Cash Distribution in cents per unit may decline in some periods if the Magellan Global Fund's NAV per Unit for each Unit class declines. There is also a risk that, in the future, Magellan Global Fund RE lowers the target level for Target Cash Distributions.
- t) **The Magellan Global Fund may be removed from quotation by the ASX or terminated:** The ASX imposes certain requirements for the continued quotation of securities, such as the Open Class Units, on the ASX under the AQUA Rules and Closed Class Units, on the ASX under the ASX Listing Rules. Investors cannot be assured that the Magellan Global Fund will continue to meet the requirements necessary to maintain quotation on the ASX or admission to the official list. In addition, the ASX may change the quotation requirements. Magellan Global Fund RE may elect, in accordance with the Magellan Global Fund Constitution and Corporations Act, to terminate the Magellan Global Fund for any reason including if units cease to be quoted on the ASX.

9.3 Risks specific to Closed Class Units

The significant risks specific to an investment in the Magellan Global Fund Closed Class Units include:

- a) **Credit risk:** The partnership benefits that are being funded by Magellan Group (for example, pursuant to the MGF Partnership Offer and Bonus MGF Option Issue) will expose Closed Class Unitholders to the risk that Magellan Group is not able to pay amounts to Magellan Global Fund when they are due. If Magellan Group is not able to fund the relevant partnership benefits in accordance with the MFG Equity Commitment Deed and MFG DRP Commitment Deed, then the MGF Partnership Offer, Bonus MGF Option Issue and any discounted DRP offer will be dilutive to Closed Class Unitholders. Magellan Global Fund will be managed so as to avoid the value of an investment in the Open Class Units being impacted in these circumstances (except in the very unlikely event of cross-collateralisation default –see Section 3.4).
- b) **DRP issue price risk:** Because Closed Class Units issued under the DRP are issued at the NAV per Closed Class Unit or a discount to the NAV per Closed Class Unit, there is a risk that the DRP issue price could be at a premium to the trading price of Closed Class Units on ASX at the time of issue.
- c) **No right of redemption:** Closed Class Unitholders cannot redeem their Closed Class Units; they can only sell their Closed Class Units on ASX. There is a risk that buyers of Closed Class Units on ASX are not sufficient to allow a Closed Class Unitholder to exit their investment.
- d) **Pooled investment scheme risk:** The market prices at which the Magellan Global Fund is able to invest the proceeds of capital raisings conducted by Magellan Global Fund may differ from the issue price of Closed Class Units issued as a result of those capital raisings. Therefore, Closed Class Unitholders who have not participated in those capital raisings may be impacted by the participation of other Closed Class Unitholders in capital raisings. The impact will depend on the size of the capital raising relative to the NAV of the Closed Class Units and on the price volatility of the securities in which the Magellan Global Fund invests.

9 Risk Factors

9.3 Risks specific to Closed Class Units *continued*

- e) **Price of Units on ASX:** The price at which the Magellan Global Fund's Closed Class Units trade on ASX may not equal the underlying value as reflected in its NAV per Closed Class Unit. The Magellan Global Fund's Closed Class Units may trade on ASX at a discount or a premium to the Magellan Global Fund's NAV per Closed Class Unit. As such, there is a risk that Closed Class Unitholders may not be able to sell their investment in the Closed Class Units at the Magellan Global Fund's NAV per Closed Class Unit.
- f) **Relative voting power:** The Corporations Act requires that, on a vote of the Magellan Global Fund decided by a poll, each Magellan Global Fund Unitholder will have one vote for each dollar of value of Closed Class Units or Open Class Units held. The value of Closed Class Units and Open Class Units will be determined based on the last sale price on the ASX trading day immediately prior to the day the poll is taken. As the ASX secondary market price of Closed Class Units and Open Class Units may differ, where a vote is taken as a whole, this may have the result of decreasing the relative voting power of Magellan Global Fund Unitholders who hold Closed Class Units compared with holders of the Open Class Units.

9.4 Risks specific to Open Class Units

The significant risks specific to an investment in the Magellan Global Fund Open Class Units include:

- a) **Magellan Global Fund provision of liquidity on the ASX risk:** Magellan Global Fund RE, on behalf of the Magellan Global Fund, may provide liquidity to investors on the ASX by acting as a buyer and seller of Open Class Units in the Magellan Global Fund. Magellan Global Fund RE will appoint an agent to transact and facilitate the settlement of such transactions on the Magellan Global Fund's behalf. Open Class Unitholders will bear the risk of these transactions. There is a risk that Open Class Unitholders could suffer a material cost as a result of the Magellan Global Fund providing liquidity to investors on the ASX which may adversely affect the NAV of the Open Class Units. Such a cost could be caused by either an error in the execution and settlement of transactions or in the price at which units are transacted on the ASX. There is a risk that, if the agent appointed by the Magellan Global Fund RE does not fulfil its obligations in a correct and timely manner, Open Class Unitholders could suffer a loss. In order to manage these risks, Magellan Global Fund RE has the right to cease transacting on the ASX, subject to its obligations under the AQUA Rules, may change the prices at which it transacts on the ASX and may, where Magellan Global Fund RE considers it appropriate to do so, hedge the Open Class Unit trading activities.
- b) **Pooled investment scheme risk:** The market prices at which the Magellan Global Fund is able to invest inflows, or sell assets to fulfil outflows of Open Class Units, may differ from the prices used to calculate the NAV per Open Class Unit (and the iNAV of the Open Class Units). Investors in the Open Class Units may therefore be impacted by other investors entering and exiting the Open Class Units. The impact will depend on the size of inflows or outflows relative to the NAV of the Open Class Units, and on the price volatility of the securities in which the Magellan Global Fund invests. Outflows may also affect the taxable income attributed to an investor during a financial year.
- c) **Price of units on the ASX:** The price at which the Open Class Units may trade on the ASX may differ materially from the NAV per Open Class Unit and the iNAV of the Open Class Units.
- d) **Conflict of interest risk:** Magellan Global Fund RE acts as a buyer and seller of Open Class Units on the ASX. A conflict might arise between the Magellan Global Fund and investors buying or selling Open Class Units from the Magellan Global Fund on the ASX due to the Magellan Global Fund RE's desire to benefit from such trading activities. A conflict might also arise due to the fact that the Magellan Global Fund RE could use such trading activities to influence the perception of the performance of the Magellan Global Fund. Magellan Global Fund RE maintains a Conflicts of Interest Policy to ensure that it manages its obligations to the Magellan Global Fund such that all conflicts (if any) are resolved fairly.
- e) **Relative voting power:** The Corporations Act requires that, on a vote of the Magellan Global Fund decided by a poll, each Magellan Global Fund Unitholder will have one vote for each dollar of value of Closed Class Units or Open Class Units held. The value of Closed Class Units and Open Class Units will be determined based on the last sale price on the ASX trading day immediately prior to the day the poll is taken. As the ASX secondary market price of Open Class Units and Closed Class Units may differ, where a vote is taken as a whole, this may have the result of decreasing the relative voting power of Magellan Global Fund Unitholders who hold Open Class Units compared with holders of the Closed Class Units.

10 Fees and Other Costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower management costs. Ask the Magellan Global Fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities & Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

This section shows fees and other costs that you may be charged if the MGG Trust Scheme is implemented and you become a unitholder in the Magellan Global Fund. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Magellan Global Fund.

Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

10.1 Table 1 – fees and costs for Closed Class Units

Magellan Global Fund – Closed Class Units

Type of Fee or Cost	Amount	How and When Paid
Fees when your money moves in or out of Magellan Global Fund (Closed Class Units)		
Establishment fee The fee to open your investment	Nil	Not applicable.
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable.
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable.
Exit Fee The fee to close your investment	Nil	Not applicable.
Management costs¹ The fees and costs for managing your investment		
Management fee	Management fee of 1.35% ² per annum	The management fee is calculated daily based on the proportionate value of Magellan Global Fund referable to the Closed Class Units on that Business Day. An estimate is accrued daily in the NAV per Closed Class Unit and the fees are payable monthly in arrears from the assets of Magellan Global Fund referable to the Closed Class Units.
Estimated performance fee	0.22% ³ per annum Performance fees are 10% ² of the Excess Return of the Closed Class Units of the Magellan Global Fund above the higher of the Index Relative Hurdle (the MSCI World Net Total Return Index (AUD)) and the Absolute Return Performance Hurdle (the yield of 10-year Australian government bonds as at the first Business Day of the Calculation Period pro-rated for the number of days in the Calculation Period).	Estimated daily and accrued in the NAV per Closed Class Unit. Calculation of the fee is finalised and the fee is paid at the end of a Calculation Period from the assets of Magellan Global Fund referable to the Closed Class Units. The first Calculation Period following the Effective Date will end on 30 June 2021, and thereafter each 6 monthly period ending 31 December and 30 June (each a Calculation Period).
Total estimated management costs	1.57% per annum	As described immediately above.

10 Fees and Other Costs

10.1 Table 1 – fees and costs for Closed Class Units *continued*

Magellan Global Fund – Closed Class Units		
Type of Fee or Cost	Amount	How and When Paid
Service fees		
Switching fee The fee for changing investment options	Nil	Not applicable.

- These fees may be individually negotiated if you are a wholesale client (as defined in the Corporations Act).
- Inclusive of the estimated net effect of GST (i.e. inclusive of 10% GST, less any reduced input tax credits (*RITC*) and other recoveries available to the Magellan Global Fund). As the Magellan Global Fund predominantly invests in international securities, the GST impact on the management costs is currently estimated to be negligible. To the extent the GST impact increases (for example, if the Magellan Global Fund's exposure to Australian securities increases), the actual management costs may exceed the rates stated above. Please see Section 10.3 and Section 10.4 below for more information.
- The estimated performance fee represents Magellan Global Fund RE's reasonable estimate of the prospective performance fee and has been calculated using the actual performance fee incurred by the Magellan Global Fund since inception (up to and including 30 June 2020). As the Magellan Global Fund predominantly invests in international securities, the GST impact on the performance fees for the Magellan Global Fund is currently estimated to be negligible. To the extent the GST impact increases (for example, if the Magellan Global Fund's exposure to Australian securities increases), the actual performance fees may exceed the rate of 10% stated above. Please see Sections 10.3 and 10.4 below for more information. Past performance is not necessarily indicative of future performance and no person guarantees the future performance of the Magellan Global Fund, the amount or timing of any return from it, or that it will achieve its investment objectives.

10.2 Table 2 – example of annual fees and costs for the Closed Class Units

This table gives an example of how the fees and costs for this product can affect an investment over a one year period. Investors should use this table to compare this product with other managed investment products.

Example ¹ – Magellan Global Fund – Closed Class Units		Balance of \$50,000 with a contribution of \$5,000 during year ²
Contribution fees	Nil	For every \$5,000 you put in, you will be charged \$0
PLUS Management costs	1.38% ³ per annum	And , for every \$50,000 you have in the Magellan Global Fund you will be charged \$690 each year.
EQUALS Cost of the Magellan Global Fund Closed Class Units	1.38% per annum	If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$690 ⁴

- This is an example only and does not take into account any movements in the value of Closed Class Units that may occur over the course of the year, or any abnormal costs.
- This example assumes the \$5,000 contribution occurs at the end of the first year. Management costs are calculated using the \$50,000 balance only.
- This management cost amount consists of the management fee (1.35%) and the actual performance fee (0.03%) that was incurred by Magellan Global Fund for the year ended 30 June 2020. This rate is inclusive of the estimated net effect of GST (i.e. inclusive of GST, less any reduced input tax credits). Please see Section 10.3 for more details.
- Please note that this example does not capture all the fees and costs that may apply to an individual investor such as transactional and operational costs.

10.3 Additional explanation of fees and costs

a) Management fees

The Magellan Global Fund pays a management fee of 1.35% per annum (inclusive of the estimated net effect of GST net of RITC) of the Net Asset Value (before fees) (**NAV Before Fees**) of Closed Class Units in the Magellan Global Fund to Magellan Global Fund RE for managing the assets of the Magellan Global Fund and overseeing the operations of the Magellan Global Fund. The management fees cover the usual fees, costs, charges, expenses and outgoings that are incurred in connection with the Closed Class Units and related assets of the Magellan Global Fund (such as administration and accounting costs, registry fees, audit and tax fees, and investor reporting expenses). Management fees are calculated each Business Day based on the NAV Before Fees of Closed Class Units in Magellan Global Fund on that Business Day and are payable at the end of each month from the assets of Magellan Global Fund referable to the Closed Class Units. Estimated management fees are reflected in the NAV per Closed Class Unit.

In addition to the management fee, where the Magellan Global Fund incurs extraordinary expenses and outgoings, Magellan Global Fund RE may pay for these from the assets of Magellan Global Fund. We may pay extraordinary expenses and outgoings from the Magellan Global Fund's assets because, under the constitution of the Magellan Global Fund, in addition to the management fee, Magellan Global Fund RE is entitled to be indemnified from the assets of the Magellan Global Fund for any liability properly incurred by us in performing properly any of its duties or exercising any of its powers in relation to the Magellan Global Fund or attempting to do so.

b) Performance fees

Depending on how well the Closed Class Units in Magellan Global Fund performs, Magellan Global Fund RE may be entitled to a performance fee, payable by the Magellan Global Fund. Performance fees are calculated with reference to the Index Relative Hurdle, the Absolute Return Hurdle and are subject to a High Water Mark requirement and overall cap. The details of the calculation methodology and the hurdles are set out below. An estimate of the fee has been provided in Table 1 and applied in Table 2.

Estimated performance fees for the Units are reflected in the NAV per Closed Class Unit and are payable at the end of each Calculation Period from the assets of Magellan Global Fund referable to the Closed Class Units.

10 Fees and Other Costs

10.3 Additional explanation of fees and costs *continued*

Calculation Methodology

The Total Return per Unit (**Total Return**) for the Closed Class Units is the dollar movement in the NAV per Closed Class Unit during the Calculation Period (adjusted for any income or capital distributions and before any accrued performance fees during that Calculation Period). Adjustments will be made for any capital re-organisations such as Unit divisions or consolidations. Calculation Periods generally end on 30 June and 31 December of each year. The Calculation Period commencing 1 July 2020 will end on the Effective Date. The next Calculation Period will commence the day after the Effective Date and end on 30 June 2021.

The Magellan Global Fund's Excess Return per Closed Class Unit (**Excess Return**) is its Total Return less the higher of the Index Relative Hurdle and Absolute Return Hurdle, expressed in dollar terms. The performance fee per Closed Class Unit is 10% (exclusive of GST) of the Excess Return. The total performance fee is the performance fee per Closed Class Unit multiplied by the number of Closed Class Units on issue at the end of the Calculation Period.

Magellan Global Fund RE will only be entitled to a performance fee where the NAV per Closed Class Unit at the end of the Calculation Period exceeds the applicable High Water Mark. The High Water Mark for the Closed Class Units is the NAV per Closed Class Unit at the end of the most recent Calculation Period for which Magellan Global Fund RE was entitled to a performance fee in the Closed Class, less any intervening income or capital distribution.

Furthermore, the fee to which Magellan Global Fund RE is entitled will be subject to a performance fee cap such that the NAV per Closed Class Unit (after the accrued performance fee) is not less than the applicable High Water Mark.

Following the Effective Date, the High Water Mark applicable to the Closed Class Units will be adjusted to equal the NAV per Closed Class Units as at the Effective Date multiplied by the higher of the:

- i) MGE High Water Mark divided by the NAV of MGE per MGE Unit as at the Effective Date;
- ii) MGG High Water Mark divided by the NAV of MGG per MGG Unit as at the Effective Date; and
- iii) The High Water Mark of Magellan Global Fund divided by the NAV per Open Class Unit as at the Effective Date.

The adjustment will set the High Water Mark applicable to the Closed Class Units to the level equivalent to the highest High Water Mark across Magellan Global Fund, MGG and MGE.

Index Relative Hurdle

The Index Relative Hurdle for the Closed Class Units of the Magellan Global Fund is the return (expressed as a percentage) of the MSCI World Net Total Return Index (AUD). If an index ceases to be published, Magellan Global Fund RE will nominate an equivalent replacement index.

Absolute Return Hurdle

The applicable Absolute Return Hurdle for the Closed Class Units of the Magellan Global Fund is the published 10-year Australian Government Bond yield as at the first Business Day of the Calculation Period, pro-rated for the number of days in the Calculation Period.

Equalisation Reserve and Units issued during a Calculation Period

Performance fees are paid on the Excess Return of each Unit on issue at the end of a Calculation Period, less a fund level equalisation reserve (**Equalisation Reserve**). The effect of the Equalisation Reserve is that Magellan Global Fund RE will only receive a performance fee in respect of a specific Closed Class Unit on performance generated after that Closed Class Unit is created. On each Business Day where there is a net creation of Closed Class Units, the Equalisation Reserve is increased by an amount that represents the performance fee per Closed Class Unit prior to the net creation of those Closed Class Units multiplied by the number of units created (**Equalisation Adjustment**). If the accrued performance fee per Closed Class Unit on a particular day is nil, there will be no Equalisation Adjustment made to the Equalisation Reserve in respect of net Units created the following Business Day. The Equalisation Reserve accumulates over a Calculation Period.

The Equalisation Reserve is subject to a ceiling such that the total Equalisation Reserve is the lesser of:

- i) the total of the Equalisation Adjustments calculated on each day of the Calculation Period; and
- ii) the total of the Units created during the Calculation Period multiplied by the prevailing performance fee per Unit.

The ceiling on the Equalisation Reserve ensures that Magellan Global Fund RE's performance fee entitlement is not less than it would have been had no Closed Class Units been created during the Calculation Period.

The exact impact of the performance fee on a particular investor will depend on the price at which the investor has acquired Closed Class Units, the total number of Closed Class Units created during a Calculation Period, the Excess Return achieved from the start of the Calculation Period to the date where new Closed Class Units are created and the subsequent movement in the NAV per Closed Class Unit to the end of the Calculation Period.

10 Fees and Other Costs

10.3 Additional explanation of fees and costs *continued*

Units cancelled during a Calculation Period

Closed Class Units that are bought back by Magellan Global Fund RE on the ASX will be cancelled. Performance fees will become payable to Magellan Global Fund RE in respect of cancelled Closed Class Units.

c) Transactional and operational costs of Closed Class Units

The Closed Class does not have historical transactional and operational costs. An estimate of transactional and operational costs for the Closed Class Units in Magellan Global Fund is provided in the table below. These estimated costs are based on actual transactional and operational costs incurred by the Magellan Global Fund Open Class Units for the year ended 30 June 2020.

Total transactional and operational costs (% pa)	Recovery through buy/sell spread (% pa)	Net transactional and operational costs (% pa)	For every \$50,000 you have in the Magellan Global Fund you will likely incur approximately:
0.04%	0.00%	0.04%	\$20

The amount of such costs will vary from year to year depending on the volume and value of the trading activity in the Magellan Global Fund. Transactional and operational costs are paid out of the assets of the Magellan Global Fund referable to the Closed Class Units and are not paid to Magellan Global Fund RE.

d) Tax

Tax payable by investors is not included in this Section 10. Please refer to the taxation information in Section 7.12.

10.4 Changes in fees and costs

Fees may increase or decrease for a number of reasons including changes in the competitive, industry and regulatory environments or simply from changes in costs. Fees are capped by the Magellan Global Fund's Constitution. Management fees and performance fees disclosed above are the maximum permitted by the Magellan Global Fund Constitution. Any increase beyond a fee cap would require unitholder approval. Magellan Global Fund RE may change the fees without an investor's consent provided that the fees remain below the relevant fee cap. Magellan Global Fund RE will provide at least 30 days' notice if it intends without the consent of investors to increase fees below the level of any fee cap.

10.5 Stockbroker fees for investors

Investors will incur customary brokerage fees and commissions when buying and selling Closed Class Units in Magellan Global Fund on the ASX. Investors should consult their stockbroker or financial adviser for more information in relation to their fees and charges.

10.6 Fees for Indirect Investors

For investors accessing Magellan Global Fund through a master trust or wrap account, additional fees and costs may apply. These fees and costs are stated in the offer document provided by your master trust or wrap account operator. These are not fees paid to Magellan Global Fund RE.

10.7 Financial adviser fees

An investor's licensed financial adviser may also charge an investor fees for the services they provide. These should be set out in the statement of advice by the adviser. Magellan Global Fund RE pays no commissions related to an investor's investment in the Magellan Global Fund to financial advisers.

11 Taxation Report

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15 October 2020

Magellan Asset Management Limited in its capacity
as responsible entity of the Magellan Global Trust
Level 36
MLC Centre, 19 Martin Place
Sydney NSW 2000

Dear Directors

Australian Taxation Report

We have been requested to prepare a summary of the Australian tax consequences for Australian resident and non-resident unitholders of the implementation of the Restructure to be included in the Notice of Meeting and Explanatory Memorandum issued by Magellan Asset Management Limited (**Magellan**) (in its capacity as responsible entity of the Magellan Global Trust) (**MGG**) dated on or around 15 October 2020 (the **Explanatory Memorandum**). The information contained in this summary is only general in nature. This summary has been prepared on the assumption that the Restructure described in the Explanatory Memorandum will be carried out in the manner described in the Explanatory Memorandum.

The information provided below is not applicable to all MGG Unitholders. This tax summary applies to Australian tax resident and non-resident unitholders who hold their units on capital account. This summary will not apply to MGG Unitholders who:

- acquired their MGG Units in the course of a business of trading or investing in securities, such as share traders, investment companies, banks or insurance companies, or who otherwise hold MGG Units on revenue account or as trading stock; and/or
- acquired their interests in their MGG Units pursuant to an employee share, option or rights plan; and/or
- are subject to the 'taxation of financial arrangements' rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in respect of their MGG Units.

The actual tax consequences to MGG Unitholders of the Restructure may differ depending on their individual circumstances.

MGG Unitholders are advised to consult their own professional tax adviser regarding the consequences of the Restructure in light of their particular circumstances. MGG Unitholders who are not resident in Australia should obtain advice on the taxation implications arising from the Restructure in their local jurisdiction.

This summary is based on provisions of the *Income Tax Assessment Act 1936* (**1936 Act**) and the *Income Tax Assessment Act 1997* (**1997 Act**) and regulations and the current administrative practice of the Australian Taxation Office (the **ATO**) as at the date of this Explanatory Memorandum.

Allens is an independent partnership operating in alliance with Linklaters LLP.

Defined terms used in this letter take their meaning from the Explanatory Memorandum, unless the context requires otherwise.

1 Income tax consequences of the Restructure

1.1 Australian resident MGG Unitholders

(a) Disposal of MGG Units

The disposal of MGG Units by an MGG Unitholder will trigger capital gains tax (**CGT**) event A1. The CGT event should occur when the change of ownership of the MGG Units occurs. Under the Restructure, the change of ownership will occur on the Implementation Date. Accordingly, the time of the CGT event will be the Implementation Date.

As the Restructure will trigger a CGT event, MGG Unitholders will need to determine whether a capital gain, or a capital loss, arises in respect of their MGG Units.

Broadly, an MGG Unitholder will:

- make a 'capital gain' if the capital proceeds from the disposal of their MGG Units exceeds the 'cost base' of their MGG Units (subject to CGT scrip for scrip roll-over relief, discussed below); or
- make a 'capital loss' if the capital proceeds from the disposal of their MGG Units are less than the 'reduced cost base' of their MGG Units.

If applicable, the 'CGT discount' may be available to reduce the taxable gain for an MGG Unitholder who is an individual, complying superannuation entity or trust (discussed below).

(b) Cost base or reduced cost base

The cost base and reduced cost base of MGG Units will generally include the amount paid, or the market value of any property given, to acquire the MGG Units, plus any incidental costs of acquisition (eg, brokerage fees and stamp duty) that are not otherwise deductible to the MGG Unitholders. The cost base and reduced cost base of MGG Units may also be reduced by any tax deferred or other non-attributable amounts received under previous distributions. The cost base of each MGG Unit will depend on the individual circumstances of each MGG Unitholder.

(c) Capital proceeds

The capital proceeds for the CGT event arising from the disposal of MGG Units under the Restructure should include the market value of the Closed Class Units received by an MGG Unitholder. In working out the amount that should be included in the capital proceeds for the CGT event, the market value of the Closed Class Units should be determined as at the start of the day on the Implementation Date.

(d) Net capital gain or loss

Any capital gain (or capital loss) made by an MGG Unitholder will be aggregated with other capital gains and capital losses of the MGG Unitholder in the relevant year of income to determine whether the MGG Unitholder has an overall 'net capital gain' or overall 'net capital loss' for the income year in which the CGT event occurs.

Subject to roll-over relief, a net capital gain, if any, will be included in the MGG Unitholder's assessable income. A net capital loss may not be deducted against other assessable income, but may be carried forward to be offset against net capital gains realised in later income years.

(e) **CGT discount**

If an MGG Unitholder is an individual, complying superannuation entity or a trust, and acquired their MGG Units at least 12 months or more before the disposal, the MGG Unitholder may be entitled to apply the 'CGT discount' for any capital gain made on the disposal of their MGG Units. MGG Unitholders should seek independent advice to determine if their MGG Units have been held for the requisite period.

The 'CGT discount' provisions may entitle MGG Unitholders to reduce their capital gain on the disposal of an MGG Unit (after deducting available capital losses) by half, in the case of individuals and trusts, or by one-third in the case of Australian complying superannuation entities. The 'CGT discount' is not available to companies. As the rules relating to discount capital gains for trusts are complex, we recommend that MGG Unitholders who are trustees seek their own independent advice on how the CGT discount provisions will apply to them and the trusts' beneficiaries, as applicable.

(f) **CGT scrip for scrip roll-over relief**

An Australian resident MGG Unitholder who disposes of their MGG Units in exchange for Closed Class Units, and who would otherwise make a capital gain in respect of the disposal of their MGG Units, may choose to obtain CGT scrip for scrip roll-over relief under Subdivision 124-M of the 1997 Act. Roll-over is not available if an MGG Unitholder realises a capital loss on the disposal of their MGG Units.

(i) **Application of scrip for scrip roll-over**

If CGT roll-over relief under Subdivision 124-M of the 1997 Act is available, and an MGG Unitholder elects to apply roll-over relief, then:

- a capital gain that the MGG Unitholder makes from the disposal of their MGG Units under the Restructure should be disregarded and deferred until a subsequent taxable event occurs in respect of the Closed Class Units; and
- the cost base and reduced cost base of an Closed Class Unit that is received by an MGG Unitholder should be worked out by reasonably attributing to it the cost base and reduced cost base (respectively) of the MGG Unit for which it was exchanged and for which the roll-over was obtained. For example, it may be reasonable for MGG Unitholders to calculate the cost base and reduced cost base of each Closed Class Unit by dividing the aggregate cost bases of their MGG Units by the number of Closed Class Units received.

(ii) **Acquisition date of Closed Class Units**

The MGG Unitholder should be taken to have acquired the Closed Class Units under the Restructure:

- for general CGT purposes, on the Implementation Date; and
- for the purposes of applying the CGT discount to any future dealings in the Closed Class Units, on the date they acquired the relevant MGG Units.

(iii) **Election to apply CGT roll-over relief**

The MGG Unitholder must make a choice to apply CGT roll-over relief by the day they lodge an income tax return for the income year in which the Implementation Date occurs (that is likely to be the income year ending 30 June 2021). The choice can be evidenced by excluding the disregarded capital gain from assessable income in the MGG Unitholder's income tax return and on the Capital Gains Tax Schedule, if applicable. There is no need to lodge a separate notice with the ATO.

(g) **Where scrip for scrip roll-over is not chosen or available**

Where an MGG Unitholder is not eligible for, or does not choose, CGT roll-over relief:

- any capital gain or capital loss made by the MGG Unitholder from the disposal of their MGG Units will be taken into account in calculating the unitholder's 'net capital gain' (see above) for the income year ending 30 June 2021; and
- the first element of the cost base and reduced cost base of each Closed Class Unit in the Magellan Global Fund that the MGG Unitholder receives should be equal to the market value of the MGG Units disposed of on the date the Closed Class Unit is issued.

The 'acquisition date' of the Closed Class Units should be the Implementation Date. This will be relevant for the purposes of determining whether the MGG Unitholder can be eligible for the CGT discount in relation to a future disposal of the Closed Class Units.

1.2 Non-Australian tax resident MGG Unitholders

For an MGG Unitholder who:

- is a foreign resident, or the trustee of a foreign trust for CGT purposes; and
- has not used their MGG Units at any time in carrying on a business through a permanent establishment in Australia,

the disposal of the MGG Units would generally only result in Australian CGT implications if, in broad terms:

- that MGG Unitholder together with their associates held an interest of 10% or more in MGG at the time of disposal or for a 12 month period within two years preceding the disposal (referred to as a 'non-portfolio interest'); and
- more than 50% of the market value of MGG's assets is attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation).

On the basis that less than 50% of the market value of MGG's assets is attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation), MGG Unitholders who are non-Australian tax residents should generally be able to disregard any Australian capital gain or loss otherwise arising as a result of the disposal of the MGG Units.

A non-resident individual MGG Unitholder who has previously been an Australian tax resident and chose to disregard a capital gain or loss in respect of their MGG Units from a CGT event on ceasing to be an Australian tax resident may be subject to Australian CGT consequences on disposal of their MGG Units.

MGG Unitholders who are non-Australian tax residents should seek their own independent tax advice as to the tax implications of the Restructure, including tax implications in their country of residence.

2 Foreign resident capital gains tax withholding

The foreign resident capital gains withholding regime may impose a 12.5% 'withholding' obligation on an acquirer of units in a trust in certain circumstances.

However, on the basis that less than 50% of the market value of MGG's assets is, and will be on the Implementation Date, attributable to direct and indirect interests in 'taxable Australian real property' (as defined in the income tax legislation), the foreign resident capital gains withholding regime should not apply to the acquisition of MGG Units from an MGG Unitholder. Accordingly, there should not be any obligation on the acquirer to 'withhold' any amount under these rules.

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Taxation Report

Allens & Linklaters

3 GST

No GST should be payable by an MGG Unitholder (whether Australian resident or non-resident) in respect of the sale of the MGG Units.

4 Stamp Duty

No stamp duty should be payable in respect of the sale of the MGG Units.

5 Post-Restructure MGF Partnership Offer and Bonus MGF Option Issue

The issue of the right to subscribe for new Closed Class Units and of the MGF Options under the post-Restructure MGF Partnership Offer should not, of itself, result in any amount being included in the assessable income of an MGG Unitholder.

The issue, on completion of the post-Restructure MGF Partnership Offer, of a MGF Option to Closed Class Unitholders in the Magellan Global Fund under the Bonus MGF Option Issue should not, of itself, result in any amount being included in the assessable income of a participating MGG Unitholder.

Further information about the tax consequences of participating in the post-Restructure MGF Partnership Offer, and the issue of any MGF Options to an MGG Unitholder following the capital raising, is expected to be contained in subsequent product disclosure statements issued by the Magellan Global Fund RE.

Yours sincerely

Allens

12 Additional Information

12.1 Relevant interests of MGG RE Directors

The Relevant Interests of the MGG RE Directors in MGG Units as at 19 October 2020 are set out below.

Director	Position	Number of MGE Units	Number of Magellan Global Fund Units	Number of MGG Units	Number of MFG Shares
Robert Fraser	Non-executive Chairman	0	0	201,546	599,109
Brett Cairns	CEO	45,503	0	89,542	1,137,615
John Eales, AM	Non-executive Director	0	0	300,079	77,616
Paul Lewis	Non-executive Director	0	602,932	703,998	1,350,000
Hamish McLennan	Non-executive Director	0	0	89,346	105,248
Kirsten Morton	Chief Financial Officer	0	0	37,196	21,579
Karen Phin	Non-executive Director	0	0	89,542	89,312

12.2 Pre-transaction benefits

a) Benefits in connection with retirement from office

Except as disclosed in Section 12 of this Explanatory Memorandum, no payment or other benefit is proposed to be made or given to any director, company secretary or executive officer of MGG RE (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from office in MGG RE or any of its Related Bodies Corporate in connection with the MGG Trust Scheme.

b) MGG RE Directors' interests in agreements or arrangements relating to the MGG Trust Scheme

Pursuant to the terms of his employment agreement, Dr. Brett Cairns (CEO of the Magellan Group and director of MGG RE) is eligible to receive an annual short-term incentive payment in respect of a financial year. This short-term incentive payment is determined having regard to a range of criteria which the MFG Board, in consultation with Dr. Cairns, will agree each year. Such criteria may include performance metrics relating to the delivery of key strategic projects, such as the Restructure. Accordingly, implementation of the MGG Trust Scheme may contribute to the total short-term incentive payable to Dr. Cairns for the 2021 financial year. The maximum amount payable to Dr. Cairns, should he satisfactorily achieve all of the conditions governing the payment of his short term incentives, as a result of the delivery of key strategic projects including implementation of the Restructure, is \$193,125.

Except as disclosed in this Explanatory Memorandum:

- no member of the MGG RE Board has any other interest in a contract entered into by the Magellan Global Fund RE;
- there are no contracts or arrangements between a member of the MGG RE Board and any person in connection with or conditional upon the outcome of the MGG Trust Scheme, and
- no member of the MGG RE Board has a material interest in relation to the MGG Trust Scheme other than in their capacity as an MGG Unitholder as outlined in Section 12.1 of this Explanatory Memorandum.

12.3 Consideration provided for MGG Units during previous four months

Magellan Global Fund RE and its Associates have not acquired any MGG Units during the four months before the date of this Explanatory Memorandum.

12.4 Benefits to induce

Other than as set out in the Explanatory Memorandum, none of Magellan Global Fund RE or any of its Associates have given or offered to give or agreed to give any benefit to any person during the four months before the date of this Explanatory Memorandum where that benefit:

- was not offered to all members under the MGG Trust Scheme; and
- was likely to induce the person, or an Associate, to vote in favour the MGG Trust Scheme or dispose of MGG Units.

12.5 Magellan Global Fund RE relevant interests and voting power as a result of the MGG Trust Scheme

As a result of the MGG Trust Scheme, Magellan Global Fund RE will acquire a relevant interest, and voting power, in 100% of the MGG Units.

12.6 Relevant interests and voting power of Magellan Global Fund RE's associates as a result of the MGG Trust Scheme

As at 30 September 2020, the Associates of Magellan Global Fund RE had voting power of 0.3% in respect of MGG.

As a result of the MGG Trust Scheme, the Associates of Magellan Global Fund RE will increase their voting power to 100% in respect of MGG.

12 Additional Information

12.7 Summary of Implementation Deed

A summary of the key terms of the Implementation Deed is provided below.

Topic	Summary
Parties	<ul style="list-style-type: none"> – MGG RE – Magellan Global Fund RE
Conditions Precedent and Status	<p>The MGG Trust Scheme is subject to a number of Conditions Precedent, comprising:</p> <ol style="list-style-type: none"> (Regulatory Approvals) all regulatory approvals (being ASIC relief and ASX waivers) required to implement the MGG Trust Scheme are granted; Status: MGG RE has applied to ASIC and ASX for the regulatory approvals required in connection with the MGG Trust Scheme. ASX has granted a number of in-principle waivers and confirmations requested to implement the MGG Trust Scheme (as set out in Section 12.12(a)). (MGG Unitholder Approval) MGG unitholders approve the relevant MGG Trust Scheme resolutions; Status: The Meeting will be held on 25 November 2020. (Magellan Global Fund Unitholder Approval) Magellan Global Fund Unitholders approve the Magellan Global Fund Unitholder Resolutions; Status: The Magellan Global Fund Unitholder Meeting will be held on 25 November 2020. (MGE Unitholder Approval) MGE unitholders approve the relevant MGE Trust Scheme resolutions; Status: The MGE unitholder meeting will be held on 25 November 2020. (MGG Judicial Advice) the Court provides the Second Judicial Advice relating to the Scheme; Status: The Second Judicial Advice will be sought on or around 26 November 2020. (Magellan Global Fund Judicial Advice) the Court provides the second judicial advice relating to the Magellan Global Fund Unitholder Resolutions; Status: Magellan Global Fund RE will seek the second judicial advice on or around 26 November 2020. (Governmental Agency) no government or Governmental Agency action prohibits, materially restricts, makes illegal or restrains the completion of the Restructure; Status: As at the date of this Explanatory Memorandum, neither MGG RE nor Magellan Global Fund RE is aware of anything that will cause this Condition Precedent not to be satisfied. (MGG prescribed occurrence) No MGG prescribed occurrence occurs (including insolvency, change in responsible entity, delisting, deregistration as a managed investment scheme under Chapter 5C of the Corporations Act) with respect to MGG; Status: As at the date of this Explanatory Memorandum, neither MGG RE nor Magellan Global Fund RE is aware of anything that will cause this Condition Precedent not to be satisfied. (Independent Expert's Report for MGG Trust Scheme) the Independent Expert's Report determines that the MGG Trust Scheme is in the best interests of MGG Unitholders; Status: Satisfied as at the date of this Explanatory Memorandum. (Independent Expert's Report for Magellan Global Fund) the Magellan Global Fund Independent Expert's Report determines that the restructure is in the best interests of Magellan Global Fund Unitholders; Status: Satisfied as at the date of this Explanatory Memorandum. (Listing of Magellan Global Fund) ASX approves the admission of Magellan Global Fund to the official list of ASX and the official quotation of the Closed Class Units; and Status: Magellan Global Fund has applied to the ASX on 1 October 2020 for the admission of Magellan Global Fund to the official list of ASX and for the official quotation of the Closed Class Units. (AQUA Quotation of Open Class Units) ASX approves the admission to Trading Status of the Open Class Units. Status: Magellan Global Fund has applied to the ASX on 1 October 2020 for the admission of the Open Class Units to Trading Status.
Scheme Consideration	<p>In consideration for the transfer of all MGG Units to Magellan Global Fund RE pursuant to MGG Trust Scheme, Magellan Global Fund RE will issue MGG Trust Scheme Participants with new Closed Class Units on a NAV for NAV basis.</p>

12 Additional Information

12.7 Summary of Implementation Deed *continued*

Topic	Summary
MGG RE Board Recommendations and Intentions	<p>MGG RE is required to procure that the MGG RE Board maintains its recommendation that MGG Unitholders vote in favour of the MGG Trust Scheme resolutions in the absence of a Superior Proposal and subject to the Independent Expert concluding that the MGG Trust Scheme is in the best interests of MGG Unitholders.</p> <p>The MGG RE Board may only change, withdraw or qualify its recommendation if the Independent Expert concludes that the MGG Trust Scheme is not in the best interests of MGG Unitholders or there is a Superior Proposal, and the MGG RE Board no longer considers the MGG Trust Scheme to be in the best interests of MGG Unitholders.</p> <p>MGG RE is required to procure that each director of MGG RE who holds MGG Units, or has control over voting rights attaching to MGG Units, votes in favour of the MGG Trust Scheme, unless the Independent Expert concludes that the MGG Trust Scheme is not in the best interests of MGG Unitholders and the director no longer considers the MGG Trust Scheme to be in the best interests of MGG Unitholders.</p>
Magellan Global Fund RE Board Recommendations and Intentions	<p>Magellan Global Fund RE is required to procure that the Magellan Global Fund RE Board maintains its recommendation that Magellan Global Fund Unitholders vote in favour of the Magellan Global Fund Unitholder Resolutions in the absence of a superior proposal and subject to the independent expert appointed by Magellan Global Fund RE concluding that the Restructure is in the best interests of Magellan Global Fund Unitholders.</p> <p>Magellan Global Fund RE Board may only change, withdraw or qualify its recommendation if the independent expert concludes that the Restructure is not in the best interests of Magellan Global Fund Unitholders or there is a superior proposal, and the Magellan Global Fund RE Board no longer considers the restructure to be in the best interests of Magellan Global Fund Unitholders.</p> <p>Magellan Global Fund RE is required to procure that each director of Magellan Global Fund RE who holds Magellan Global Fund Units, or has control over voting rights attaching to Magellan Global Fund units, votes in favour of the restructure, unless the independent expert concludes that the Restructure is not in the best interests of Magellan Global Fund Unitholders and the director no longer considers the restructure to be in the best interests of Magellan Global Fund Unitholders.</p>
Termination Rights	<p>Mutual termination rights</p> <p>Either MGG RE and Magellan Global Fund RE may terminate the Implementation Deed if:</p> <ul style="list-style-type: none"> – (Conditions Precedent) the Conditions Precedent are not satisfied or waived (as applicable); – (Material Breach) the other party is in material breach of its obligations under the Implementation Deed, which breach is not remedied within 5 Business Days of receiving notice of the breach; – (Not Effective) the MGG Trust Scheme has not become Effective on or before the end date (12 months from date of the Implementation Deed); – (No Approval by MGG Unitholders) the MGG Trust Scheme Resolutions are not approved by the requisite majority at the Meeting; – (No Approval by Magellan Global Fund Unitholders) the Magellan Global Fund Unitholder Resolutions are not approved by the requisite majority at the Magellan Global Fund Unitholder Meeting; or – (Superior Proposal) MGG RE receives a Superior Proposal and MGG RE Board publicly recommends, promotes or otherwise endorses the Superior Proposal. <p>Magellan Global Fund RE termination rights</p> <p>Magellan Global Fund RE may terminate the Implementation Deed if:</p> <ul style="list-style-type: none"> – the majority of the Magellan Global Fund RE Board publicly changes or withdraws its recommendation that Magellan Global Fund Unitholders vote in favour of the Restructure (where permitted by the Implementation Deed); or – the MGG RE Board fails to recommend the MGG Trust Scheme. <p>MGG RE termination rights</p> <p>MGG RE may terminate the Implementation Deed if:</p> <ul style="list-style-type: none"> – the majority of the MGG RE Board publicly changes or withdraws its recommendation that MGG unitholders vote in favour of the MGG Trust Scheme (where permitted by the Implementation Deed); or – the Magellan Global Fund RE Board fails to recommend the Restructure to Magellan Global Fund Unitholders.
Break fee	The Implementation Deed does not provide for the payment of any break fee.
Representations and warranties and indemnities	<p>Under the Implementation Deed, the parties have given certain representations and warranties which are customary for a deed of this type. The parties also warrant that they each have a right to be fully indemnified out of their respective trust property.</p> <p>The liability of each MGG RE and Magellan Global Fund RE arising under or in connection with the Implementation Deed is limited to the amount that MGG RE or Magellan Global Fund RE, as the case may be, actually receives in the exercise of its right of indemnity from trust property.</p>

12 Additional Information

12.8 Summary of Deed Poll

A summary of the key terms of the Deed Poll executed by Magellan Global Fund RE in relation to the MGG Trust Scheme is provided below. A copy of the Deed Poll is set out in full in Schedule 3.

Topic	Summary
Executed by	Magellan Global Fund RE
In favour of	MGG Unitholders
Covenants	Magellan Global Fund RE covenants in favour of MGG Unitholders to observe and perform all obligations contemplated of it under the MGG Trust Scheme, including the obligations relating to the provision of the Scheme Consideration in accordance with the terms of the MGG Trust Scheme.
Conditions precedent	The obligations of Magellan Global Fund RE under the Deed Poll are subject to the MGG Trust Scheme becoming Effective.
Termination	The Deed Poll terminates upon the termination of the Implementation Deed or if the MGG Trust Scheme is not Effective on or before the End Date.

12.9 Summary of Supplemental Deed Poll

A summary of the proposed amendments to the MGG Constitution, which would facilitate the MGG Trust Scheme, and which are the subject of Resolution 1 of the Notice of Meeting. A full copy of the proposed amendments to the MGG Constitution is contained in the Supplemental Deed Poll in Schedule 4.

Topic	MGG Summary
Parties	MGG RE will execute the document as a deed poll
Implementation of the MGG Trust Scheme	Provides for the implementation of the MGG Trust Scheme, including: <ul style="list-style-type: none"> a) requiring all MGG Trust Scheme Participants, Ineligible Foreign MGG Unitholders and the MGG RE to do all things necessary to give full effect to the MGG Trust Scheme (and binding them to do so); and b) allowing MGG RE and Magellan Global Fund RE to do anything permitted by the Supplemental Deed Poll (subject to the Corporations Act and the Listing Rules).
Entitlement to Scheme Consideration	MGG Trust Scheme Participants and the Ineligible Foreign MGG Unitholders are entitled to consideration for the transfer of their MGG Units to the Magellan Global Fund RE.
Amount of Scheme Consideration	The consideration to be given in exchange for MGG Units will be: <ul style="list-style-type: none"> a) for MGG Trust Participants, the issue of Closed Class Units calculated in accordance with the following formula: $N = \text{Exchange Ratio} \times \text{Number of MGG Units held by the MGG Trust Participant on the Record Date}$ b) for Ineligible Foreign MGG Unitholders, a proportion of the proceeds of sale (net of costs) under the Sale Facility, derived from Closed Class Units issued to the Sale Nominee (in lieu of the Ineligible Foreign MGG Unitholder) in accordance with the formula in paragraph (a) Fractional entitlements will be rounded to the nearest whole number of units.
Instructions and elections to be applied to Closed Class Units	To the extent permitted by law, all binding instructions, notifications, consents or elections made by each MGG Trust Scheme Participant to MGG RE in relation to MGG or the MGG Units will be deemed to be made by the MGG Trust Scheme participant to Magellan Global Fund RE in relation to any Closed Class Units held. This includes, disclosure of personal information, participation in distribution reinvestment plans, receipt of notices and communications (including electronically). An election to participate in a distribution reinvestment plan in respect of MGG Units will be treated as an election to participate in a distribution reinvestment plan in respect of Closed Class Units.
Title and rights in MGG Units	Magellan Global Fund RE will be beneficially entitled to the MGG Units upon the payment of the Scheme Consideration.
Transfer and registration of the scheme units	On the Implementation Date, after the Scheme Consideration has been provided, all MGG Units will be transferred to the Magellan Global Fund RE (or the Custodian), without any further act by the MGG Trust Scheme Participants and the Ineligible Foreign MGG Unitholders.

12 Additional Information

12.9 Summary of Supplemental Deed Poll *continued*

Topic	MGG Summary
Transfers to be free of encumbrances	The transfer of all MGG Units is expressly required to be vested in Magellan Global Fund RE (or the Custodian) and must be free from all encumbrances, third party interests and restrictions on transfer of any kind unless otherwise referred to in the MGG Trust Scheme.
Warranty given to Magellan Global Fund RE	Each MGG Trust Scheme Participant, and each Ineligible Foreign MGG Unitholders, warrants to Magellan Global Fund RE that all their MGG Units held as at the date of the transfer will be fully paid and free from encumbrances, and that they have the full power and capacity to sell and transfer their MGG Units.
Irrevocable agreements by the MGG Trust Scheme Participants and the Ineligible Foreign MGG Unitholders	Under the MGG Trust Scheme, the MGG Trust Scheme Participants and the Ineligible Foreign MGG Unitholders irrevocably: <ul style="list-style-type: none"> – acknowledge that they and the MGG RE are bound by the MGG Constitution clauses as inserted by the Supplemental Deed Poll (regardless of whether they attend the Meeting or vote in favour); – agree to the transfer of their MGG Units, and to any variation, cancellation or modification of rights attached to their MGG Units resulting from the MGG Trust Scheme; – agree to provide information reasonably required for MGG RE or Magellan Global Fund RE to comply with law (including AML); – consent to MGG RE and Magellan Global Fund RE doing all things necessary (including execution of transfers and other documents) to give full effect to the MGG Trust Scheme.
Appointment of Magellan Global Fund RE as sole proxy	Each MGG Trust Scheme Participant and each Ineligible Foreign MGG Unitholder appoints Magellan Global Fund RE (and its directors from time to time) as its sole proxy or corporate representative in respect of attending and voting at MGG Unitholders' meetings, and, if they remain registered holders of MGG Units, they must act as Magellan Global Fund RE directs. The appointment is made by MGG RE as attorney and agent of each of them. This applies from the Implementation Date until the Magellan Global Fund RE is registered as the holder of all MGG Units.
Treatment of separate parcels held by custodians	For the purposes of implementing the MGG Trust Scheme, each separate parcel of MGG Units held in a capacity as trustee, custodian or nominee for another person will be treated as though it were held by a separate MGG Unitholder.
Sale Facility for Ineligible Foreign Holders	Provisions are inserted to govern and facilitate a sale facility in respect of MGG Units held by Ineligible Foreign Holders. Magellan Global Fund RE must not issue any Closed Class Units to Ineligible Foreign Holders and must instead issue them to the Sale Nominee, and that the Sale Nominee sells them in the ordinary course of trading on the ASX, and pay the proceeds (net of all costs) to the Ineligible Foreign Holders proportionate to the number of Closed Class Units that they would otherwise have been issued.
Unclaimed monies	Any amount payable under the MGG Trust Scheme which becomes 'unclaimed monies' as defined in the <i>Unclaimed Money Act 1995</i> (NSW) (Unclaimed Money Act), will be subject to the Unclaimed Money Act.
Withholdings	Magellan Global Fund RE may deduct and withhold any consideration that would otherwise be payable if it determines that it is required to do so by law, a court order or a regulatory authority. It must provide a receipt of payment to the relevant tax or regulatory authority if requested.
Court orders and orders of a regulatory authority	If Magellan Global Fund RE, the MGG Registry or the Unit Registry receive written notice, from a court or other regulatory authority, requiring any Scheme Consideration or Sale Facility proceeds to be given or paid to a person other than the relevant MGG Trust Scheme Participant or Ineligible Foreign MGG Unitholder, then Magellan Fund RE is entitled to comply with the order and, if that involves issuing Scheme Consideration to or paying money to somebody else, then doing so will discharge the obligation to the relevant MGG Trust Scheme Participant or Ineligible Foreign MGG Unitholder.
Determination of scheme units	The MGG Register on the MGG Trust Scheme Record Date will determine the persons that hold MGG Units on the MGG Trust Scheme Record Date (and who therefore is an MGG Trust Scheme Participant or an Ineligible Foreign MGG Unitholder) and entitlement to the Scheme Consideration. CHESS or other registrable transfers must be received on or before the MGG Trust Scheme Record Date.
No disposal after Effective Date	Any disposal by MGG Unitholders of MGG Units after the Effective Date will be void, unless disposed of in accordance with the MGG Trust Scheme.
Suspension of trading and termination of quotation on ASX	Units will be suspended from trading on ASX on the Effective Date. Following the implementation of the MGG Trust Scheme, MGG RE will apply to terminate the official quotation of the MGG Units on ASX and remove MGG from the official list.
Power of Attorney	Each MGG Trust Scheme Participant irrevocably appoints the MGG RE (and its directors and secretaries jointly and individually) as its attorney and agent to execute documents related to the MGG Trust Scheme and to enforce the Deed Poll against Magellan Global Fund RE.

12 Additional Information

12.9 Summary of Supplemental Deed Poll *continued*

Topic	MGG Summary
Crystallisation of fees	The management fee provision is amended to provide MGG RE with the discretion to determine when any accrued management fees in MGG become payable to MGG RE. The performance fee provision is amended to allow the relevant Calculation Period to end on the Effective Date. This means that, at the Effective Date, any accrued management fees and any accrued performance fees in MGG will be crystallised and become payable to MGG RE.
No liability when acting in good faith	MGG RE, Magellan Global Fund RE or MFG (including their directors, officers, employees or associates) will not be liable for any act or omission in the performance of the MGG Trust Scheme in good faith.
Limitation of liability	Limitation of liability provisions limit MGG RE and Magellan Global Fund RE's liabilities to MGG Unitholders to the extent to which Magellan Global Fund RE is actually indemnified out of the MGG trust property or Magellan Global Fund trust property, as the case may be.

12.10 Constitutional Amendment Resolution

The amendments proposed to be made to the MGG Constitution in order to implement the MGG Trust Scheme as contemplated by the Constitutional Amendment Resolution are set out in full in Schedule 4 of this Explanatory Memorandum.

12.11 Related Party Resolution

Chapter 2E (as modified by Part 5C.7) of the Corporations Act (the Related Party Rules) requires that a responsible entity must not give a financial benefit out of scheme property (or which could endanger scheme property) to itself or a related party without member approval (unless an exception applies).

In accordance with the Related Party Rules, Magellan (in its personal capacity and also as the responsible entity of MGG) and MFG are each related parties of Magellan Global Fund RE in connection with the MGG Trust Scheme.

In determining whether the MGG Trust Scheme will confer a 'financial benefit' on Magellan or MFG, the Related Party Rules require the giving of a broad interpretation to the financial benefits being given. Financial benefits may be given indirectly and do not need to involve the payment of money.

Having regard to the Related Party Rules, MGG RE proposes to seek MGG Unitholder approval for the MGG Trust Scheme in the way set out in Chapter 2E as modified by Part 5C.7 of the Corporations Act.

Section 219 of the Corporations Act requires certain information to be provided to unitholders in connection with the Related Party Resolution. This Explanatory Memorandum sets out the following information in connection with the Related Party Resolution.

a) Identity of the related party

The parties receiving a financial benefit under the MGG Trust Scheme are MFG and Magellan. MFG owns 100% of Magellan and Magellan is the responsible entity of Magellan Global Fund and are therefore both related parties of MGG RE.

b) Nature of the financial benefit

- i) **(Potential for increased and more certain management fee revenue)** The MGF Partnership Offer may result in a significant increase in the number of Closed Class Units on issue. As these Closed Class Units do not have a redemption right, a larger amount of funds under management of the Magellan Global Fund (pursuant to which Magellan derives its management fee revenue) is expected to be more certain compared to the funds under management of Magellan Global Fund and MGG respectively prior to the Restructure (as the units in Magellan Global Fund are currently subject to redemption rights by investors) and therefore be of a benefit to Magellan. In addition, Magellan may experience an increase in funds under management as a result of the exercise of MGF Options by holders. This will increase the number of Closed Class Units on issue and increase Magellan's management fee revenue.
- ii) **(Potential for earlier entitlement to MGG performance fee)** The MGG Trust Scheme may result in the performance fee period being brought forward from 31 March 2021 to the Effective Date in order to align the calculation periods for the performance fees of MGG, Magellan Global Fund and MGE Unitholders, as the MGG Unitholders and MGE Unitholders become Closed Class Unit and Open Class Unit holders respectively. This may result in performance fees becoming payable in the funds that would otherwise not have been payable, or becoming payable earlier than they might otherwise have done, resulting in a benefit to Magellan. The impact of this potential change will not be known on the Implementation Date, however, the performance fees are accrued in the daily net asset value of each respective fund and are therefore already reflected in the unit price.

The value of these benefits is not capable of being accurately quantified, as they are based on a number of variables including the likely uptake of Closed Class Units, the number of MGF Options that are issued and exercised and whether MGG RE will be entitled to a performance fee if the calculation is brought forward.

As MFG is the Holding Company of Magellan, any financial benefits given to Magellan will also accrue to MFG.

12 Additional Information

12.11 Related Party Resolution

c) Governance and conflicts of interest

Magellan is the responsible entity of each of the three entities that are involved in the Restructure (i.e. Magellan Global Fund, MGG and MGE). In discharging the duties that it owes separately to the unitholders of these three entities, Magellan has considered and given separate and independent consideration to what is in the best interests of each set of unitholders in each of Magellan Global Fund, MGG and MGE.

Magellan has also adopted a number of governance measures to the implementation of the Restructure including, without limitation, appointment of separate legal counsel for each of Magellan Global Fund, MGG and MGE, ASIC review, the seeking of judicial advice and the appointment of the Independent Expert and the commission of three separate independent expert's report for each of the Restructure, the MGG Trust Scheme and MGE Trust Scheme.

d) Recommendation of each Director of MGG RE

Each of the MGG RE Directors recommend that MGG Unitholders approve the Related Party Resolution for the reasons set out in this Explanatory Memorandum, including that each of the MGG RE Directors consider the MGG Trust Scheme to be in the best interests of the MGG Unitholders.

In forming this recommendation, each MGG RE Director considered the alternatives to the MGG Trust Scheme, specifically:

- i) amending the MGG investment strategy to replicate the investment strategy of another open-ended ASX quoted fund operated by Magellan; and
- ii) not undertaking the MGG Trust Scheme and retaining the status quo,

but determined that the benefits of the MGG Trust Scheme outweighed the potential risks and disadvantages of the MGG Trust Scheme, as set out in this Explanatory Memorandum. Each Director considered the MGG Trust Scheme to be superior to the alternatives considered and that not proceeding with the MGG Trust Scheme would preclude MGG Unitholders from realising the benefits that MGG RE expects the Restructure to bring.

e) Interest of each Director in the outcome of the resolution

The MGG RE Directors do not have any direct interest in outcome of the Related Party Resolutions. Certain of the MGG RE Directors are also directors of MFG, however, that interest is not regarded as material for the purposes of the Related Party Resolution.

The MGG RE Directors may have an indirect interest in the outcome of the Related Party Resolution through their holding of any shares in MFG and units in MGG, Magellan Global Fund or MGE (as the case may be). Details of each directors' holding are set out in Section 12.1 of this Explanatory Memorandum.

f) Additional Information

All other information that is reasonably required to decide whether or not to vote in favour of the Related Party Resolution is disclosed in other sections of this Explanatory Memorandum.

12.12 Regulatory consents

a) ASX waivers/confirmations

MGG RE and Magellan Global Fund RE have applied for, and ASX has granted on an in-principle basis the following:

Waiver from... / Confirmation to...	Summary
ASX Listing Rule 1.1 Condition 1	Confirmation that Magellan Global Fund's structure and operations are appropriate for a listed entity.
ASX Listing Rule 1.1 Condition 2	Confirmation that the Magellan Global Fund Constitution is consistent with the ASX Listing Rules.
ASX Listing Rule 1.1 Condition 3	Confirmation that the provision of this Explanatory Memorandum satisfies the requirements of ASX Listing Rule 1.1 Condition 3.
ASX Listing Rule 1.1 Condition 5	Waiver to permit Open Class Units being redeemed in accordance with the Magellan Global Fund Constitution.
ASX Listing Rule 1.1 Condition 6 and ASX Listing Rule 6.2	Waiver such that Magellan Global Fund RE is not required to apply for quotation (as an ASX Listing Rule listing) of the Open Class Units and/or a confirmation that the Open Class Units are not considered by ASX to be the "main class" of securities of Magellan Global Fund.
ASX Listing Rules 2.1 Condition 1 and 6.1	Confirmation that the terms that apply to the Closed Class Units are appropriate and equitable.
ASX Listing Rules 2.5 Condition 1 and 6.1	Confirmation that the MGF Options satisfy this condition and that the MGF Options are appropriate and equitable.

12 Additional Information

12.12 Regulatory consents *continued*

Waiver from... / Confirmation to...	Summary
ASX Listing Rule 6.12.3	Confirmation that the divestment or redemption of any Open Class Units are approved by ASX under ASX Listing Rule 6.12.3.
ASX Listing Rules 6.16 and 7.22	Waiver from ASX Listing Rule 6.16 that requires an option's terms to be changed to comply with ASX Listing Rule 7.22 and waiver from the operation of ASX Listing Rule 7.22 with respect to the exercise price or exercise ratio of the MGF Options.
ASX Listing Rules 6.21 and 6.23.3	Confirmation that the proposed exercise price of the MGF Options satisfies the relevant listing rules.
ASX Listing Rules 7.1 and 3.10.3	Confirmation (or waiver) that ASX Listing Rules 7.1 and 3.10.3 do not apply to the issue of Open Class Units.
ASX Listing Rule 7.2 (Exception 1)	Confirmation that ASX Listing Rule 7.2, Exception 1 applies in respect of the proposed Bonus MGF Option Issue.
ASX Listing Rule 7.2 (Exception 16)	Confirmation (or waiver) that ASX Listing Rule 7.2, Exception 16 applies in respect of the MGF Partnership Offer.
ASX Listing Rules 7.6	Confirmation (or waiver) that the issuance of the Open Class Units is not subject to ASX Listing Rule 7.6.
ASX Listing Rules 7.9	Confirmation (or waiver) that the issuance of the Open Class Units is not subject to ASX Listing Rule 7.9.
ASX Listing Rules 7.29, 7.33 and 7.36 and ASX Listing Rule 1.1 Condition 1	Confirmation to permit Magellan Global Fund RE to conduct on-market buy-backs of Closed Class Units during the five ASX trading days from the date Closed Class Units are listed on ASX at a price which is not above the NAV per Closed Class Unit on the Implementation Date.
ASX Listing Rule 7.36	Confirmation that the buy-back of any Open Class Units is not subject to ASX Listing Rule 7.36.
ASX Listing Rule 10.1	Confirmation that ASX Listing Rule 10.1 does not apply to the MGG Trust Scheme.
ASX Listing Rule 10.12 (Exception 1)	Confirmation that ASX Listing Rule 10.12, Exception 1 applies in respect of the proposed Bonus MGF Option Issue.
ASX Listing Rule 10.12 (Exception 10)	Confirmation or waiver that ASX Listing Rule 10.12 (Exception 10) applies in respect of the MGF Partnership Offer.
Various ASX Listing Rules	Confirmation (or waiver) that Open Class Unitholders are not required to vote on any resolutions required under the ASX Listing Rules as it relates to the Closed Class Units.
ASX Settlement Operating Rules (including Rule 5.19 and 5.22)	Waiver from ASX that ASX Settlement Operating Rules 5.19 and 5.22 that Magellan Global Fund RE will not be required to accept standard exercise forms in respect of the exercise of the MGF Options.
Other	Confirmation that the application for admission of the Magellan Global Fund to the official list of ASX specify a notional subscription amount of Closed Class Units under as the number of Closed Class Units to be quoted.
Rule 10A.3.3(b) of Schedule 10A of the ASX Operating Rules (ASX AQUA Rule 10A.3.3(b))	Confirmation that ASX have no objections under ASX AQUA Rule 10A.3.3(b) with respect to the Open Class Units.
Rule 10A.3.4 of Schedule 10A of the ASX Operating Rules (ASX AQUA Rule 10A.3.4)	Confirmation (or waiver) that ASX AQUA Rule 10A.3.4 would not apply to the Closed Class Units.
Rule 10A.10.8 of Schedule 10A of the ASX Operating Rules (ASX AQUA Rule 10A.10.8)	Waiver to permit Magellan Global Fund RE to appoint Deutsche Bank AG as its AQUA Product Market Making Agent.

12 Additional Information

12.12 Regulatory consents *continued*

b) ASIC relief

MGG RE and Magellan Global Fund RE have applied to ASIC for the following relief, as set out in the table below:

Relief from.../ Modification to...	Relief to...
Relief or confirmations related to Magellan Global Fund	
Section 601GA of the Corporations Act, as modified by ASIC Corporations (Chapter 5C – Miscellaneous Provisions) Instrument 2017/125 (Declaration 5)	allow the constitution of Magellan Global Fund to include an ASX Listing Rules consistency provision that refers only to Closed Class Units and the MGF Options.
Section 601GAE of the Corporations Act notionally inserted by ASIC Class Order [CO 13/655]	permit the issue price of Closed Class Units to be the greater of market price and Net Asset Value and MGF Options to be issued by reference to Net Asset Value.
Section 601FC(1)(d) of the Corporations Act, as modified by ASIC Class Order [CO 13/656], paragraph 4(a)	clarify that the reference to listing rules of ASX Limited as at 1 June 2013 refers to the listing rules as in force from time to time as modified by ASX for Magellan Global Fund.
Section 601KH of the Corporations Act, as inserted by ASIC Corporations (ASX-listed Schemes On-market Buy-backs) Instrument 2016/1159	clarify that the '10/12' limit in the Instrument applies to the Closed Class Units on issue (not all units on issue) and that 'buy-back' does not include redemptions of Open Class Units.
Section 601KH of the Corporations Act, as inserted by ASIC Corporations (ASX-listed Schemes On-market Buy-backs) Instrument 2016/1159	allow an on-market buy-back to operate from the date of listing.
Relief or confirmations related to the Scheme	
Item 7 of section 611 of the Corporations Act	allow members of MGG to vote in favour of the MGG Trust Scheme.
Division 5A of Part 7.9 of the Corporations Act	allow Magellan in its capacity as responsible entity of Magellan Global Fund to make an offer to acquire all of units in each of MGG and MGE.
Section 1016A(2) of the Corporations Act and ASIC Corporations (Application Form Requirements) Instrument 2017/241	allow Scheme Consideration to be issued without an application form.
Sections 1013B(1) and 1015C of the Corporations Act, and ASIC Corporations (Capital Reductions and Reconstructions – Technical Disclosure Relief) Instrument 2017/242	remove the requirement that the PDS to be issued by Magellan Global Fund RE be titled 'Product Disclosure Statement' and to make it clear that distribution of this Explanatory Memorandum to a member's registered physical or electronic address constitutes giving the PDS to that person.
Section 601FC(1)(d) of the Corporations Act	allow the Ineligible Foreign MGG Unitholders to be excluded from receiving Scheme Consideration.
Section 1020B as modified by ASIC Corporations (Short Selling) Instrument 2018/745	allow deferred settlement trading of Magellan Global Fund Units on ASX.
Sections 1013H, 1016D and 1016E of the Corporations Act	allow ASX application for quotation within 7 days of, and actual quotation within 3 months of, issue of the financial products under the MGG Trust Scheme and the MGE Trust Scheme, rather than the date of this Explanatory Memorandum.
Sections 601ED(5), 911A(1), and Divisions 2 to 5 of Part 7.9 of the Corporations Act	facilitate the operation of the Sale Facility for the Ineligible Foreign MGG Unitholders under the MGG Trust Scheme (and equivalent relief in relation to the MGE Trust Scheme).

12 Additional Information

12.13 Summary of First Judicial Advice and Second Judicial Advice hearing

At the First Judicial Advice hearing on 20 October 2020, the Court made orders that MGG RE would be justified in:

- a) convening a meeting of MGG Unitholders to consider, and if thought fit, approve the MGG Trust Scheme Resolutions;
- b) distributing the Explanatory Memorandum; and
- c) proceeding on the basis that the proposed amendments to the MGG Constitution would be within the powers of alteration conferred by section 601GC of the Corporations Act.

The Second Judicial Advice hearing is expected to take place on 26 November 2020 at the Supreme Court of New South Wales, 184 Phillip Street, Sydney (or virtually, as required in accordance with any COVID-19 related requirements or recommendations). See the 'Important Notices & Disclaimer' section of this Explanatory Memorandum for further information. Any MGG Unitholder may appear at the Second Judicial Advice Hearing.

Any MGG Unitholder who wishes to oppose the Second Judicial Advice at the Second Judicial Advice hearing may do so by filing with the Court and serving on the responsible entity of MGG a notice of appearance in the prescribed form together with any affidavit that the MGG Unitholder proposes to rely on.

The address for service is: c/o MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Attention: Michael Hughes.

12.14 Consents to be named

The following persons have given, and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and the context in which they are named:

a) Magellan Global Fund RE

Magellan Global Fund RE has given its written consent to the inclusion of the Magellan Global Fund Information, and the references to that information in the form and context in which it is included in this Explanatory Memorandum and has not, before the date of issue of this Explanatory Memorandum, withdrawn such consent.

b) Lonergan Edwards & Associates Limited as the Independent Expert

Lonergan Edwards & Associates Limited, as Independent Expert, has given its written consent to the inclusion of the Independent Expert's Report in Schedule 2 of this Explanatory Memorandum, and references to the Independent Expert's Report in the form and context in which they are included in this Explanatory Memorandum and has not, before the date of issue of this Explanatory Memorandum, withdrawn such consent.

c) Ernst & Young (EY) as investigating accountant

EY as investigating accountant has given its written consent to the inclusion of the Independent Limited Assurance Report in Schedule 5 of this Explanatory Memorandum, and references to the Independent Limited Assurance Report in the form and context in which they are included in this Explanatory Memorandum and has not, before the date of issue of this Explanatory Memorandum, withdrawn such consent.

d) Allens as taxation adviser

Allens as taxation adviser has given its written consent to the inclusion of the Taxation Report in Section 11 of this Explanatory Memorandum, and references to the Taxation Report in the form and context in which they are included in this Explanatory Memorandum and has not, before the date of issue of this Explanatory Memorandum, withdrawn such consent.

e) MFG as Magellan Asset Management Limited's parent entity as a party to the MFG Equity Commitment Deed and MFG DRP Commitment Deed;

f) Mainstream Fund Services as Magellan Global Fund's unit registrar;

g) Boardroom Pty Ltd as MGG unit registrar;

h) Allens as legal adviser in relation to the Restructure and to Magellan Global Fund RE;

i) EY as Magellan Global Fund's auditor;

j) Northern Trust as custodian for the Magellan Global Fund;

k) MinterEllison as legal adviser to MGG RE; and

l) Bell Potter Securities Limited as the Sale Nominee.

Other than as specifically outlined above, each party referred to in this Section 12.14 has not caused or authorised the issue of this Explanatory Memorandum and does not make or purport to make any statement in this Explanatory Memorandum or any statement on which a statement is based, and takes no responsibility for any part of this Explanatory Memorandum other than any reference to its name.

12 Additional Information

12.15 Tax file numbers

Under Australian tax law, a fund is entitled to ask its unitholders to disclose their tax file numbers (**TFN**) to the fund. A unitholder can choose to disclose or not disclose their TFN.

If a unitholder chooses not to disclose their TFN or details of any relevant exemptions to the fund, the fund is required under Australian tax law to withhold tax, on distributions paid or income attributed to the unitholder, unless the distribution is a return of capital. If the tax withheld by the fund is more than the unitholder would have paid in tax, the unitholder must wait until he or she lodges an income tax return before being entitled to an income tax offset or refund (as applicable) of any excess tax withheld from the distributions payment. On the other hand, if a unitholder chooses to disclose their TFN or details of any relevant exemptions, the fund does not have to withhold any tax from any distributions paid to the unitholder.

As part of the MGG Trust Scheme, MGG RE (or the MGG Registry) will, unless otherwise directed by MGG Unitholders, transfer the TFNs provided to MGG RE by MGG Unitholders to Magellan Global Fund RE (or the Unit Registry) on behalf of the MGG Unitholders in respect of their tax affairs so that Magellan Global Fund RE will not otherwise be required to withhold tax from any distribution payments as described above.

However, an MGG Unitholder may request that MGG RE not transfer that MGG Unitholder's TFN to Magellan Global Fund RE.

If you would not like MGG RE to transfer your TFN to Magellan Global Fund RE (and therefore you accept that Magellan Global Fund RE may be required to withhold tax), please call the MGG Registry on 1300 005 016 (Australia) or +61 2 9290 9600 (International).

If an MGG Unitholder does not request that they do not wish their TFN to be disclosed and collected in accordance with the process discussed above, they are deemed under the terms of the MGG Trust Scheme to agree to such disclosure and collection of their TFN.

12.16 Discretions affecting the amount of consideration to acquire interests and payments for withdrawal

In accordance with ASIC Class Order [CO 13/657], Magellan Global Fund RE has prepared documents that record how Magellan Global Fund RE will exercise a discretion that affects either the amount of the consideration to acquire Units or the terms of any payment arising from withdrawing from Magellan Global Fund. These documents are available from Magellan Global Fund RE at no charge by contacting 1800 6243 5526.

12.17 Supplementary Information to the Explanatory Memorandum

To the extent required by the ASX Listing Rules, the Corporations Act or any other applicable law, MGG RE will issue a supplementary document to this Explanatory Memorandum if it becomes aware of any of the following between the date of this Explanatory Memorandum and the date of the Meeting:

- a) a material statement in this Explanatory Memorandum is or becomes false or misleading;
- b) a material omission from this Explanatory Memorandum;
- c) a significant change affecting a matter included in this Explanatory Memorandum; or
- d) a significant new matter has arisen and it would have been required to be included in this Explanatory Memorandum if it had arisen before the date of this Explanatory Memorandum.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Magellan may circulate and publish the supplementary document by any or all of:

- a) placing an advertisement in a prominently published newspaper that is circulated in Australia;
- b) posting the supplementary document on MGG's website at www.magellangroup.com.au;
- c) issuing a supplementary document.

12.18 Changes to PDS information

The information in this PDS is subject to change from time-to-time. Information that is not materially adverse information can be updated by Magellan. Updated information can be obtained through Magellan's website at www.magellangroup.com.au. Investors may request a paper copy of any updated information at any time, free of charge.

12 Additional Information

12.19 Complaints resolution

Should investors have any concerns or complaints, as a first step please contact Magellan's Complaints Officer on +61 2 9235 4888 and Magellan will do its best to resolve this concern quickly and fairly. If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (**AFCA**). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

12.20 Cooling off period

Cooling off rights do not apply to Closed Class Units or Open Class Units issued by Magellan Global Fund RE as they are (or are proposed to be) able to be traded on a financial market.

12.21 No other information

Other than as contained in this Explanatory Memorandum, there is no information within the knowledge of any member of the MGG RE Board that is material to the making of a decision in relation to the Restructure to be voted on by MGG Unitholders, and that has not been previously disclosed to MGG Unitholders.

13 Glossary and Interpretation

13.1 Definitions

In this Explanatory Memorandum unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
Absolute Return Hurdle	has the meaning given in Section 10.3 of this Explanatory Memorandum.
Acquisition Resolution	Resolution 1 to be considered at the Meeting, as set out in the Notice of Meeting.
AMIT	Attribution Managed Investment Trust.
AQUA Rules	ASX Operating Rules that apply to the quotation on ASX of funds, exchange trade funds and other structured securities and products such as the Open Class Units.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning set out in the Corporations Act.
ASX	ASX Limited or Australian Securities Exchange, as appropriate.
ASX Listing Rules	the official listing rules of ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.
ASX Operating Rules	the official operating rules of ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.
Bonus MGF Option Issue	a bonus issue of MGF Options to all Closed Class unitholders on the basis of one MGF Option for every two Closed Class Units held at a record date to be specified by Magellan Global Fund RE.
Bonus MGF Option Issue Record Date	expected to be the Business Day immediately prior to the allotment date of Closed Class Units under the MGF Partnership Offer.
Business Day	while Units are quoted on the ASX, the days identified by the ASX in the ASX Operating Rules. Otherwise a day not being a Saturday, Sunday or a public holiday in Sydney, New South Wales. For the purposes of calculating management fees and performance fees, a Business Day is any day on which a security held by Magellan Global Fund (on a look-through basis) is open for trading.
Calculation Period	six-month period ending 30 June and 31 December in each year.
CGT	Australian capital gains tax.
CHESS	the Clearing House Electronic Sub-register System for the electronic transfer of securities and other financial products operated by ASX Settlement Pty Limited (ACN 008 504 532).
Closed Class	the class of Closed Class Units in Magellan Global Fund.
Closed Class Unit	a Closed Class Unit in Magellan Global Fund.
Closed Class Unitholder	A registered holder of a Closed Class Unit.
Conditions Precedent	the conditions to the implementation of the Restructure summarised in Sections 3.9 and 12.7 of this Explanatory Memorandum.
Constitutional Amendment Resolution	Resolution 2 to be considered at the Meeting, as set out in the Notice of Meeting.
Control	has the meaning given by section 50AA of the Corporations Act.
Controlled Entity	in relation to any Entity, another entity which is a Subsidiary of it, or which is Controlled by it.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Court	the Supreme Court of New South Wales or such other court of competent jurisdiction agreed to in writing by MGG RE and the Magellan Global Fund RE.
Custodian	the entity that holds the assets of Magellan Global Fund, initially being The Northern Trust Company.
Deed Poll	the Deed Poll in the form attached as Schedule 3 to this Explanatory Memorandum.
Directors	the directors of MGG RE.
DRP	distribution reinvestment plan.
DRP Rules	the distribution reinvestment plan rules for the Magellan Global Fund.

13 Glossary and Interpretation

13.1 Definitions *continued*

Term	Meaning
Effective	when the MGG Trust Scheme comes into effect, which will be when the Supplemental Deed Poll is executed and lodged with ASIC which will be as soon as practicable after the Second Judicial Advice Date but in any event, no later than 4pm on the first Business Day after that date, or such other date as MGG RE and Magellan Global Fund RE agree.
Effective Date	the date on which the MGG Trust Scheme becomes Effective (expected to be 27 November 2020).
Eligible Magellan Global Fund Unitholders	Closed Class Unitholders and Open Class Unitholders shown on Magellan Global Fund register as holding units as at 7.00pm on the Implementation Date of the Restructure, with a registered address in Australia, New Zealand, Hong Kong or Singapore.
End Date	2 August 2021 or another date agreed in writing by MGG RE and Magellan Global Fund RE.
Entity	includes a natural person, a body corporate, a partnership, a trust and the trustee of a trust.
Exchange Ratio	equal to one (1) and is calculated as the NAV of MGG per MGG Unit divided by the NAV of MGG per MGG Unit (the issue price of Closed Class Units in Magellan Global Fund under the MGG Trust Scheme) as at the Effective Date.
Explanatory Memorandum	this explanatory memorandum, including the attachments to it.
Financial Information	the Historical Financial Information and the Pro Forma Historical Statement of Financial Position as set out in Section 7.19.
First Judicial Advice	the confirmation obtained by MGG RE from the Court confirming, amongst other things, that MGG RE would be justified in convening the Meeting.
First Judicial Advice Date	the date on which the First Judicial Advice was received.
Global Equities Strategy	the Magellan global equities (currency unhedged) investment strategy, offering focused portfolio of the world's outstanding companies that Magellan believes can generate attractive risk-adjusted investment returns over time, while reducing the risk of permanent capital loss.
Government Agency	any government or governmental, semi-governmental, administrative, political, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government of any country.
GST	Australian goods and services tax.
High Water Mark	has the meaning given in Section 10.3 of this Explanatory Memorandum.
Historical Financial Information	the historical financial information as set out in Section 7.19.
Holding Company	has the meaning given in the Corporations Act, but as if references to: a) "body corporate" were to "Entity"; and b) "subsidiaries" include Subsidiaries as defined in this document.
Implementation Date	the date that the Restructure is implemented, being the fifth Business Day following the MGG Trust Scheme Record Date or such other date as MGG RE and Magellan Global Fund RE agree in writing (expected to be 8 December 2020).
Implementation Deed	the implementation deed dated 2 August 2020 between MGG RE and the Magellan Global Fund RE relating to the implementation of the MGG Trust Scheme and summarised in Section 12.7 of this Explanatory Memorandum.
Independent Expert	means Lonergan Edwards & Associates Limited.
Independent Expert's Report	the report in respect of the Restructure prepared and issued by the Independent Expert for inclusion in the Explanatory Memorandum (or any update or variation to that report). A copy of the Independent Expert's Report is contained in Schedule 2 of this Explanatory Memorandum.
Index Relative Hurdle	has the meaning given in Section 10.3 of this Explanatory Memorandum.

13 Glossary and Interpretation

13.1 Definitions *continued*

Term	Meaning
Ineligible Foreign MGG Unitholder	an MGG Unitholder whose address as shown on the register of members of MGG is in a jurisdiction other than Australia (or its external territories), New Zealand, Hong Kong or Singapore unless Magellan Global Fund RE otherwise determines after being satisfied that it is lawful and not unduly onerous or unduly impracticable for new Closed Class Units to be issued to such MGG Unitholder on implementation of the Restructure.
Magellan	Magellan Asset Management Limited (ABN 31 120 593 946; AFSL 304 301).
Magellan Global Fund	Magellan Global Fund (ARSN: 126 366 961).
Magellan Global Fund Constitution	the constitution of the Magellan Global Fund.
Magellan Global Fund Information	the information provided by the Magellan Global Fund RE for inclusion in this Explanatory Memorandum and for which Magellan Global Fund RE is responsible, including Questions 6-8, 14-21, 24-32 (to the extent relating to Magellan Global Fund RE, the intentions of the Magellan Global Fund RE, the Magellan Global Fund Units) of Section 1, Section 7, Section 8, Section 9 (other than Section 9.1), Section 10, Section 12.5, Section 12.6, references to the awareness of the Magellan Global Fund RE in relation to the status of the Conditions Precedent in Section 12.7, Section 12.11(a), Section 12.11(b), Section 12.12, and any references to such information above in the form and context in which they are included in this Explanatory Memorandum.
Magellan Global Fund RE	Magellan Asset Management Limited (ABN 31 120 593 946; AFSL 304 301) in its capacity as responsible entity of Magellan Global Fund.
Magellan Global Fund Unitholder	a holder of a Unit in Magellan Global Fund.
Magellan Global Fund Unitholder Meeting	the extraordinary general meeting of Magellan Global Fund Unitholders to consider the Magellan Global Fund Unitholder Resolutions.
Magellan Global Fund Unitholder Resolutions	the resolutions to be proposed by Magellan Global Fund RE pursuant to the Restructure.
Magellan Group	MFG and its Australian Subsidiaries.
Meeting	the extraordinary general meeting of MGG Unitholders convened by the Notice of Meeting attached to this Explanatory Memorandum.
MFG	Magellan Financial Group Limited (ABN 59 108 437 592).
MFG Commitment Deed	the Magellan Global Fund Commitment Deed as summarised in Section 7.20(a).
MFG DRP Commitment Deed	means the equity commitment deed, as summarised in Section 7.20(c).
MFG Equity Commitment Deed	means the equity commitment deed, as summarised in Section 7.20(b).
MGE	Magellan Global Equities Fund (ARSN: 603 395 302).
MGE Constitution	the constitution of MGE.
MGE Exchange Ratio	NAV of MGE per MGE Unit divided by the NAV per Open Class Unit as at the Effective Date.
MGE Implementation Deed	the implementation deed dated 2 August 2020 between MGE RE and the Magellan Global Fund RE relation to the implementation of the MGE Trust Scheme.
MGE RE	Magellan Asset Management Limited (ABN 31 120 593 946; AFSL 304 301) in its capacity as responsible entity of MGE.
MGE Trust Scheme	the arrangement under which all of the units in MGE are transferred to Magellan Global Fund RE from MGE Unitholders by way of a trust scheme to be implemented by way of amendments to the MGE Constitution.
MGE Trust Scheme Resolutions	the resolutions to be proposed by MGE RE pursuant to the MGE Trust Scheme.

13 Glossary and Interpretation

13.1 Definitions *continued*

Term	Meaning
MGE Unit	a unit in MGE.
MGE Unitholder	each person who is registered as the holder of an MGE Unit in the MGE Register (at the relevant time).
MGF Constitutional Amendment	amendments to the Magellan Global Fund constitution to enable it to offer Open Class Units and Closed Class Units.
MGF Option	an option proposed to be issued by Magellan Global Fund RE on the terms summarised in Section 7.25.
MGF Partnership Offer	the offer to all Eligible Magellan Global Fund Unitholders to subscribe for new Closed Class Units, and a MGF Option (for each new Closed Class Unit subscribed for), the terms of which are summarised in Section 7.23.
MGF Partnership Offer Calculation Date	a date to be set by Magellan Global Fund RE in connection with the MGF Partnership Offer, which is expected to be a date in January 2021.
MGG	Magellan Global Trust (ARSN: 620 753 728).
MGG Commitment Deed	the MGG Commitment Deed, as summarised in Section 4.14.
MGG Constitution	the constitution of MGG.
MGG RE	Magellan Asset Management Limited (ABN 31 120 593 946; AFSL 304 301) in its capacity as responsible entity of MGG.
MGG RE Board	the board of directors of MGG RE or a committee of that board.
MGG RE Director	a director of MGG RE.
MGG Register	the register of MGG Unitholders of MGG maintained by the MGG Registry in accordance with the Corporations Act.
MGG Registry	Boardroom Pty Limited.
MGG Trust Scheme	the arrangement under which all of the units in MGG are transferred to Magellan Global Fund RE from MGG unitholders by way of a trust scheme to be implemented by way of amendments to the MGG Constitution.
MGG Trust Scheme Participants	MGG Unitholders other than Ineligible Foreign MGG Unitholders.
MGG Trust Scheme Record Date	7.00pm on the second Business Day following the Effective Date, or such other date as agreed between the Magellan Global Fund RE and MGG RE, or as may be required by ASX (expected to be 1 December 2020).
MGG Trust Scheme Resolutions	the resolutions to be proposed by MGG RE pursuant to the MGG Trust Scheme.
MGG Unit	a unit in MGG.
MGG Unitholder	each person who is registered as the holder of an MGG Unit in the MGG Register (at the relevant time).
NAV	Net Asset Value.
Notice of Meeting	the notices of meeting relating to the MGG Trust Scheme Resolutions which is contained in Schedule 1.
Open Class	the class of Open Class Units in Magellan Global Fund.
Open Class Unit	an Open Class Unit in Magellan Global Fund.
Open Class Unitholder	a registered holder of an Open Class Unit.
PDS	this document, which serves as a product disclosure statement issued by Magellan Global Fund RE under Part 7.9 of the Corporations Act in respect of the Magellan Global Fund Closed Class Units.
Portfolio	the portfolio of investments of Magellan Global Fund from time to time.
Pro Forma Historical Statement of Financial Position	the pro forma historical statement of financial position of Magellan Global Fund as set out in Section 7.19.
Proxy Form	the proxy form for the Meeting accompanying this Explanatory Memorandum.

13 Glossary and Interpretation

13.1 Definitions *continued*

Term	Meaning
Related Body Corporate	has the meaning given in the Corporations Act, but as if references to: a) “body corporate” and “body” were to “Entity”; b) “subsidiary” include Subsidiaries as defined in this document; and c) “holding company” include Holding Companies as defined in this document.
Related Party Resolution	Resolution 3 to be considered at the Meeting, as set out in the Notice of Meeting.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Representative	in relation to a person, means: a) a Controlled Entity of the person; or b) an officer of the person or any of the person’s Controlled Entities; or c) an adviser to the person or the person’s Controlled Entities.
Restructure	the MGF Constitutional Amendment, the MGG Trust Scheme and the MGE Trust Scheme.
RITC	Reduced input tax credit.
Sale Facility	the sale facility described in Section 4.10.
Sale Nominee	Bell Potter Securities Limited (AFSL 243480) as the nominee for Ineligible Foreign MGG Unitholders to whom the Scheme Consideration consisting of Closed Class Units will be issued for sale, with the proceeds (net of brokerage) being distributed to the Ineligible Foreign MGG Unitholders post implementation of the Restructure.
Scheme Consideration	Closed Class Units.
Second Judicial Advice	the confirmation obtained by MGG RE from the Court confirming, amongst other things, that MGG RE would be justified in proceeding to implement the Restructure.
Second Judicial Advice Date	the date on which the Second Judicial Advice is obtained (expected to be 26 November 2020).
Subsidiary	has the meaning given in the Corporations Act, but an Entity will also be taken to be a Subsidiary of an Entity if it is Controlled by that Entity and, without limitation: a) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; b) an Entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and c) where a trust is a Subsidiary, the trustee of that trust (acting in that capacity) will also be a Subsidiary.
Superior Proposal	a bona fide competing proposal that MGG RE Directors, acting in good faith, and after receiving written legal advice from its legal adviser (who must be a reputable legal adviser experienced in transactions in the nature of the transactions contemplated by the Implementation Deed) and written advice from its financial adviser in order to satisfy what MGG RE considers to be its fiduciary or statutory duties, determine: (a) is capable of being valued and completed, taking into account all aspects of the competing proposal, including its conditions precedent; and (b) would, if completed substantially in accordance with its terms, be more favourable to MGG Unitholders (as a whole) than the MGG Trust Scheme, taking into account all the terms and conditions of the competing proposal and all aspects of the MGG Trust Scheme.
Supplemental Deed Poll	The deed poll to be entered into by MGG RE amending the MGG Constitution pursuant to section 601GC(1) as set out in Part A of Schedule 4 of this Explanatory Memorandum.
Target Cash Distribution	the target cash distribution yield of 4% per annum in accordance with the Magellan Global Fund distribution policy.
Taxation Report	the report set out in Section 11 of this Explanatory Memorandum.
TFN	Tax File Number.
Trading Status	has the meaning as set out in section 7 of the ASX Operating Rules.
Units	Open Class Units and Closed Class Units.
Unit Registry	Mainstream Fund Services Pty Ltd.
Voting Record Date	the time and date for determining eligibility to vote at the Meeting (expected to be 7.00pm, 23 November 2020).

13 Glossary and Interpretation

13.2 Interpretation

In this Explanatory Memorandum, unless the context otherwise appears:

- a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- b) words importing a gender include any gender;
- c) words importing the singular include the plural and vice versa;
- d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- e) a reference to a clause, attachment or schedule is a reference to a clause of and an attachment and schedule to this Explanatory Memorandum as relevant;
- f) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- g) headings and bold type are for convenience only and do not affect the interpretation of this Explanatory Memorandum;
- h) a reference to time is a reference to time in Sydney, Australia;
- i) a reference to writing includes electronic and digital communications; and
- j) a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

Schedule 1 Notice of Meeting



MLC Centre
Level 36, 19 Martin Place
Sydney NSW 2000 AUSTRALIA
General: +61 2 9235 4888
Facsimile: +61 2 9235 4800
Website: www.magellangroup.com.au
ABN: 31 120 593 946
AFSL: 304 301

Notice of Meeting

Magellan Global Trust (ARSN 620 753 728)

Magellan Asset Management Limited (ABN 31 120 593 946) (**Magellan**) as responsible entity of Magellan Global Trust (ARSN 620 753 728) (**MGG**) hereby gives notice that a meeting of the unitholders of MGG will be held as a virtual meeting at:

Time: 12.00pm (Sydney time)

Date: 25 November 2020

In light of government restrictions on meetings in public venues, the meeting will be held by virtual means (via a webcast and live online voting facility). There will not be a physical meeting where MGG Unitholders can attend.

1 Business of the meeting

Capitalised terms used but not defined in this Notice of Meeting have the meaning given in the Explanatory Memorandum accompanying, and forming part of, this Notice of Meeting.

The business to be considered at the meeting is to consider, and if thought fit, to pass the following resolutions of members of MGG (**MGG Trust Scheme Resolutions**).

2 Resolution 1 – Acquisition Resolution

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of the members of MGG:

“That, subject to and conditional on the passing of Resolutions 2 and 3 and the passing of the MGE Trust Scheme Resolutions and the Magellan Global Fund Unitholder Resolutions, as each described in this Notice of Meeting and Explanatory Memorandum, for the purposes of item 7, section 611 of the Corporations Act 2001 (Cth) and for all other purposes:

- a) the acquisition by Magellan Asset Management Limited (ABN 31 120 593 946) (**Magellan**) as responsible entity of the Magellan Global Fund (ARSN 126 366 961) of all of the units on issue in Magellan Global Trust (ARSN 620 753 728) (**MGG**), (the **Acquisition**) be approved; and*
- b) Magellan as responsible entity of MGG, be authorised to do all things which it considers necessary, desirable, or reasonably incidental to give effect to the Acquisition.”*

3 Resolution 2 – Constitutional Amendment Resolution

To consider, and if thought fit, to pass the following resolution as a special resolution of the members of the MGG:

“That, subject to and conditional on the passing of Resolutions 1 and 3 and the passing of the MGE Trust Scheme Resolutions and the Magellan Global Fund Unitholder Resolutions, as each described in this Notice of Meeting and Explanatory Memorandum:

- a) the constitution of MGG be modified as set out in the Supplemental Deed Poll attached as Schedule 4 to the Explanatory Memorandum (**Supplemental Deed Poll**), with effect from the date on which the Supplemental Deed Poll is lodged with the Australian Securities and Investments Commission (**ASIC**) in accordance with section 601GC(2) of the Corporations Act 2001 (Cth); and*
- b) Magellan as responsible entity of MGG, be authorised to execute and lodge with ASIC, the Supplemental Deed Poll.”*

4 Resolution 3 – Related Party Resolution

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of the members of the MGG:

“That subject to and conditional on the passing of Resolutions 1 and 2 and the passing of the MGE Trust Scheme Resolutions and the Magellan Global Fund Unitholder Resolutions, as each described in this Notice of Meeting and Explanatory Memorandum, the Restructure described in the Explanatory Memorandum is approved for the purpose of Part 2E.1 of the Corporations Act 2001 (Cth) (as modified by Part 5C.7 of that Act), and for all other purposes”.

The nature of the financial benefits being provided to MGG RE and its related parties (being MFG and Magellan) are set out in Section 12.11 of the Explanatory Memorandum.

5 Reasons for the MGG Trust Scheme Resolutions

The MGG Trust Scheme Resolutions should be read in conjunction with the Explanatory Memorandum which sets out a detailed explanation of the reasons for the MGG Trust Scheme Resolutions.

Schedule 1 Notice of Meeting

6 Eligibility to vote

Subject to the voting exclusions outlined below in Section 7, MGG Unitholders registered as holders of MGG Units in MGG as at 7.00pm (Sydney time) on 23 November 2020 will be entitled to participate and vote at the Meeting.

Accordingly, transfers of MGG Units registered after that time will be disregarded in determining entitlements to participate and vote at the Meeting.

7 Majority required

For the MGG Trust Scheme Resolutions to be approved:

- a) The **Acquisition Resolution** must be passed by at least 50% of the total number of votes cast on the resolution by MGG Unitholders entitled to vote on the resolutions at the Meeting. For the purposes of the Acquisition Resolution:
 - i) in accordance with item 7, section 611 of the Corporations Act, the Magellan Global Fund RE and its Associates must not cast any votes in favour of these resolutions; and
 - ii) in accordance with section 253E of the Corporations Act, MGG RE and its Associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of MGG.
- b) The **Constitutional Amendment Resolution** must be passed by at least 75% of the total number of votes cast on the relevant resolution by MGG Unitholders entitled to vote on the resolution at the Meeting. For the purposes of the Constitutional Amendment Resolution, in accordance with section 253E of the Corporations Act, MGG RE and its Associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of MGG. In addition, adopting the principles set out in Takeovers Panel Guidance Note 15, any votes cast in favour of the Constitutional Amendment Resolution by the Magellan Global Fund RE or its Associates will be disregarded.
- c) The **Related Party Resolution** must be passed by at least 50% of the total number of votes cast on the resolutions by MGG Unitholders entitled to vote on the resolution at the Meeting. For the purposes of the Related Party Resolution, in accordance with section 253E of the Corporations Act, MGG RE and its Associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of MGG.

Voting will be conducted by poll.

8 How to participate in the Meeting online

You can participate in the Meeting online on the day of the meeting by visiting <https://web.lumiagm.com/342631726> on your smartphone, tablet or computer. You will need the latest version of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible.

The online platform will allow MGG Unitholders to participate in the Meeting by being able to view the meeting, vote and ask questions or make comments in real time. Those who are not MGG Unitholders or not attending as a proxy, corporate representative or attorney of a MGG Unitholder, are welcome to connect to the platform or watch the live webcast but are not able to vote or ask questions.

Please ensure you have your Voting Access Code (refer to the proxy form or your Notice of Meeting email), as you will need this to log in. Proxyholders should contact the MGG Registry, Boardroom Pty Limited, on 1300 005 016 or +61 2 9290 9600, or via proxy@boardroomlimited.com.au to obtain their login details to participate live online. A Virtual Meeting User Guide is available at www.magellanfunderstructure.com.au.

If it becomes necessary to provide updates or instructions in the lead up to the Meeting, details will be made available at www.magellanfunderstructure.com.au.

9 Voting

9.1 Voting

The Meeting will be held as a virtual meeting using an online platform which will allow MGG Unitholders to vote, ask questions and participate electronically in real-time, rather than attend the meeting at a physical venue. All MGG Unitholders participating virtually will be deemed to be present at the meeting. You may vote by participating in the Meeting in this way.

Unitholders of MGG entitled to participate and vote at the virtual meeting may vote:

- a) by direct voting online during the Meeting;
- b) by appointing a proxy to participate in the Meeting and vote on their behalf in accordance with Section 9.2;
- c) by appointing an attorney to participate in the Meeting and vote on their behalf in accordance with Section 9.3; or
- d) by appointing a corporate representative to participate in the Meeting and vote on their behalf in accordance with Section 9.4.

If it becomes necessary to make further alternative arrangements for the Meeting, MGG Unitholders will be provided with as much notice as possible.

Schedule 1 Notice of Meeting

9.2 Voting by proxy

- a) Each MGG Unitholder entitled to participate and vote has a right to appoint a proxy, and you may appoint the Chairman of the Meeting as your proxy.
- b) If an MGG Unitholder appoints two proxies, the MGG Unitholder may specify the proportion or number of votes each proxy holder is entitled to exercise. Where two proxies are appointed and the appointment does not specify the proportion or number of the MGG Unitholder's votes, each proxy may exercise half of the votes.
- c) A proxy need not be an MGG Unitholder.
- d) The Proxy Form, which accompanies this Notice of Meeting, includes instructions on how to vote and appoint a proxy.
- e) The Chairman intends to vote all undirected proxies in favour of the MGG Trust Scheme Resolutions.
- f) In order to be valid, online proxy voting or the completed Proxy Form should be submitted and received no later than 9.00am (Sydney Time) on Monday, 23 November 2020 using one of the following methods:

Vote Online at: <https://www.votingonline.com.au/mgg2020>

Mail the Proxy Form to:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

Fax the Proxy Form to: +61 2 9290 9655

Deliver the Proxy Form to:

Boardroom Pty Limited
Level 12 – Grosvenor Place, 225 George Street, Sydney NSW 2000
during business hours (Monday to Friday, 9:00am–5:00pm)

- g) **Power of Attorney:** to sign the Proxy Form under power of attorney you must lodge the power of attorney with the MGG Registry, Boardroom Pty Limited. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to your Proxy Form when you return it.
- h) **Companies:** where the company has a sole director who is also the sole company secretary, the Proxy Form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone.
- i) Otherwise the Proxy Form must be signed by a director with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

9.3 Voting by attorney

You may appoint an attorney to participate and vote at the Meeting on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by MGG Registry by 9.00am (Sydney time), 23 November 2020, unless it has been previously provided to the MGG Registry.

9.4 Voting by corporate representative

- a) MGG Unitholders who are bodies corporate may have a corporate representative participate and vote at the Meeting on their behalf. The appointment must comply with section 253B of the Corporations Act. Persons participating in the Meeting as a corporate representative should provide to the MGG Registry evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.
- b) If a representative of the corporation is to participate in the Meeting the appropriate "Appointment of Corporate Representative" should be received by the MGG Registry prior to the Meeting. A form may be obtained from the MGG Registry, Boardroom Pty Limited. If such evidence is not received, then the representative will not be permitted to act as a representative at the Meeting.

By order of the Board of Magellan Asset Management Limited as responsible entity of Magellan Global Trust



Company Secretary

Magellan Asset Management Limited
21 October 2020

Schedule 2 Independent Expert's Report

LONERGAN EDWARDS & ASSOCIATES LIMITED

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Sydney NSW 2000 Australia
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Telephone: [61 2] 8235 7500
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The Directors
Magellan Asset Management Limited
as responsible entity for Magellan Global Trust
Level 36 MLC Centre
19-29 Martin Place
Sydney NSW 2000

13 October 2020

Subject: Proposed acquisition of Magellan Global Trust by way of Scheme

Dear Directors

Introduction

- 1 On 3 August 2020, Magellan Asset Management Limited (Magellan) announced a proposed series of transactions which will have the effect of consolidating its three existing global equities retail funds, being the (unlisted, open ended) Magellan Global Fund (MGF), the (listed, open ended) Magellan Global Equities Fund (MGE) and the (listed, closed ended) Magellan Global Trust (MGG) into a single trust (Proposed Restructure). Should the Proposed Restructure be implemented, the three funds will be consolidated into a single fund (MGF) with two unit classes (an Open Class and a Closed Class). It is intended that both classes of the merged trust be quoted on the Australian Securities Exchange (ASX).
- 2 In order to implement the component of the Proposed Restructure as it relates to existing unitholders in MGG, it is proposed that MGF will acquire all of the units in MGG on a unit for unit basis at net asset value (NAV). Magellan (as responsible entity (RE) for MGG) has entered into a Scheme Implementation Deed with Magellan (as RE of MGF) which outlines the terms and conditions of the proposed acquisition (the Agreement). The acquisition of units is to be implemented via a trust scheme of arrangement between MGG and its unitholders (the Scheme) and is subject to a number of conditions precedent as summarised in Section I of our report.
- 3 If the Scheme is approved and implemented, MGG unitholders will be offered Closed Class units in MGF in exchange for the existing MGG closed class units they hold on the Scheme Record Date¹, such that they receive the same number and same underlying NAV of Closed Class units in MGF as they hold in closed class MGG units on the Scheme effective date (Scheme Consideration).

¹ The Scheme Record Date is presently expected to be 7:00pm on the second business day after the Scheme becomes effective.

Authorised Representatives:

Wayne Lonergan • Craig Edwards* • Hung Chu • Martin Hall • Martin Holt* • Grant Kepler* • Julie Planinic* • Nathan Toscan • Jorge Resende

* Members of Chartered Accountants Australia and New Zealand and holders of Certificate of Public Practice.
Liability limited by a scheme approved under Professional Standards Legislation

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Schedule 2 Independent Expert's Report



- 4 Should the Proposed Restructure be approved and implemented², Magellan (as RE of MGF) intends to provide the following additional benefits to eligible unitholders in the enlarged MGF:
 - (a) offer all unitholders (both Open Class and Closed Class) the ability to subscribe for new MGF Closed Class units, and an option for each new Closed Class unit issued (the MGF Partnership Offer)
 - (b) issue bonus MGF options to holders of Closed Class units on the basis of one bonus option for every two Closed Class units held (the Bonus MGF Option issue)³.
- 5 The MGF Partnership Offer will entitle eligible MGF unitholders to subscribe for \$1 of new Closed Class units for every \$4 of MGF units held based on their unit balance and NAV at the calculation date⁴, capped at the balance of their unitholding at the Scheme implementation date. The subscription price for the new Closed Class units will be the NAV per Closed Class unit on the business day immediately prior to their allotment. Successful applicants will also receive a benefit in the form of additional Closed Class units worth 7.5% of the amount subscribed⁵.
- 6 Each bonus option issued will be exercisable into a Closed Class unit in MGF, with the exercise price set at a 7.5% discount to the prevailing NAV per unit at the time of exercise⁶. The bonus options will have a three year term and be exercisable daily, subject to an initial holding period. It is intended that all options be quoted on the ASX.

Purpose of report

- 7 The mechanisms used to implement a trust scheme are based upon and governed by the *Corporations Act 2001* (Cth) (Corporations Act) provisions, Takeovers Panel guidance and general trust law⁷.
- 8 A transfer trust scheme cannot be implemented without a securityholder vote under s611(7) of the Corporations Act. The Corporations Act requires securityholders approving a s611(7) resolution to be provided with all material information in relation to the proposed transaction. The Australian Securities & Investments Commission (ASIC) requires an entity to commission an independent expert's report (IER) or, if it has the expertise, a director's report to the same standard, in order to discharge the information disclosure requirements imposed upon it by the Corporations Act.

² In addition to approval from MGF unitholders, the Proposed Restructure also requires the approval of MGF and MGE unitholders.

³ The Bonus MGF Option issue will be for the benefit of MGF Closed Class unitholders only. Existing MGF and MGE Open Class unitholders will not be eligible for the Bonus MGF Option issue.

⁴ Expected to be determined in January 2021.

⁵ Magellan's parent company Magellan Financial Group Limited (MFG) will pay into MGF an amount equal to the cost of these additional units to minimise NAV per unit dilution.

⁶ MFG will also pay into MGF an amount equal to the 7.5% discount to minimise NAV per unit dilution.

⁷ Although a trust scheme in some ways resembles a company scheme of arrangement, listed managed investment schemes cannot be the subject of a company scheme of arrangement under Part 5.1 of the Corporations Act. It should also be noted that there is no specific statutory mechanism for the implementation of a trust scheme, and unlike a Part 5.1 scheme of arrangement, a trust scheme is not supervised in the same way by the courts or ASIC.

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- 9 The Takeovers Panel has assumed jurisdiction of disputes involving trust schemes and has published Takeovers Panel Guidance Note 15 – *Trust scheme mergers* (TPGN 15), which sets out its approach to supervising trust schemes. TPGN 15 requires the Notice of Meeting and Explanatory Memorandum to contain a report by an independent expert that states, inter alia, whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable to the holders of the target other than the acquirer and its associates.
- 10 Further, the Scheme as proposed is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of MGG unitholders. In addition, the Magellan Directors' recommendation of the Scheme (in the absence of a superior proposal) is subject to an independent expert concluding and continuing to conclude that the Scheme is in the best interests of MGG unitholders.
- 11 Accordingly, the Magellan Directors have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of MGG unitholders and the reasons for that opinion.
- 12 LEA is independent of MGG and MGF (and MGE and MFG) and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 13 In our opinion, the Scheme is fair and reasonable and in the best interests of MGG unitholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Fair and reasonable opinion

- 14 Pursuant to RG 111 a scheme is "fair" if the value of the scheme consideration is equal to or greater than the value of the securities the subject of the scheme.
- 15 As noted above, if the Scheme is approved and implemented, MGG unitholders will be offered new Closed Class units in MGF in exchange for the existing closed class MGG units they hold on a 1 for 1 basis. The new Closed Class MGF units will be identical in nature to the existing closed class units in MGG.
- 16 Accordingly, as the value of the Scheme Consideration (Closed Class units in MGF) will be equal to the value of the closed class units in MGG being acquired, in our opinion, the Scheme Consideration is fair to MGG unitholders when assessed based on the Guidelines set out in RG 111.
- 17 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is "fair and reasonable" it must also be "in the best interests" of unitholders.
- 18 Consequently, in our opinion, the Scheme is also "reasonable" and "in the best interests" of MGG unitholders in the absence of a superior proposal.



Assessment of the Scheme

- 19 We summarise below the likely advantages and disadvantages of the Scheme for MGG unitholders.

Advantages

- 20 In our opinion, the Scheme has the following advantages for existing MGG closed class unitholders:
- (a) they will be eligible to participate in the MGF Partnership Offer and the MGF Bonus Option issue and should they choose to do so, they will receive a significant financial advantage in the form of both additional Closed Class units in MGF (above the number of units subscribed for), together with bonus options (which will be quoted on the ASX and exercisable at a discount). This financial advantage will be in the form of:
 - (i) an immediate increase in the value of a unitholder's investment (based on NAV) of 7.5% of the amount subscribed
 - (ii) an increase of 7.5% in the annual distributions to unitholders on the amount subscribed (noting that this is a "mirror image" of the higher NAV)
 - (iii) three year options offering a further benefit of some 7.5% on further capital able to be subscribed (pursuant to both the MGF Partnership Offer and the MGF Bonus Option issue)
 - (b) there will be no associated cost attributable to these financial benefits as the costs of the Scheme, together with the costs of the Proposed Restructure generally, and the costs of the MGF Partnership Offer including the costs of the additional units and options, are to be borne by MFG (the parent company of MAM, the RE of MGG)
 - (c) those MGG closed class unitholders that have previously elected to participate in the distribution re-investment plan (and continue to do so in the corresponding proposed new MGF plan) will receive an increased financial benefit (higher rate of discount to NAV) compared to the prevailing situation
 - (d) the potential increased liquidity associated with the increased number of Closed Class units on issue arising from participation by (the enlarged number of) MGF unitholders in the MGF Partnership Offer, and the potential to arbitrage between Open Class units and Closed Class units, should cause the historical traded discount to NAV at which existing closed class units in MGG have traded to reduce
 - (e) both the MGF Partnership Offer and the MGF Bonus Option issue provide the potential for a material increase in the number of units on issue without diluting the existing unitholders' equity.

Disadvantages

- 21 As a result of the significant increase in the number of units on issue, the relative voting power of existing MGG closed class unitholders will reduce. However, in the circumstances of the Scheme, we do not consider this to represent a material disadvantage. Accordingly, in our opinion, there are no material disadvantages that will accrue to existing MGG closed class unitholders pursuant to implementation of the Scheme.



Conclusion

- 22 Given the above analysis, we consider the acquisition of MGG units under the Scheme is fair and reasonable and in the best interests of MGG unitholders in the absence of a superior proposal (which, in our view, is unlikely).

General

- 23 In preparing this report we have considered the interests of MGG unitholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual unitholders.
- 24 The impact of approving the Scheme on the tax position of MGG unitholders depends on the individual circumstances of each investor. MGG unitholders should read the Notice of Meeting and Explanatory Memorandum and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 25 The ultimate decision whether to approve the Scheme should be based on each MGG unitholder's assessment of their own circumstances. If MGG unitholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, unitholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that MGG unitholders read the remainder of our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Wayne Lonergan'.

Wayne Lonergan
Authorised Representative

A handwritten signature in black ink, appearing to read 'Martin Holt'.

Martin Holt
Authorised Representative

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I Key terms of the Scheme

Terms

- 26 On 3 August 2020, Magellan Asset Management Limited (Magellan) announced a proposed series of transactions which will have the effect of consolidating its three existing global equities retail funds, being the (unlisted, open ended) Magellan Global Fund (MGF), the (listed, open ended) Magellan Global Equities Fund (MGE) and the (listed, closed ended) Magellan Global Trust (MGG) into a single trust (Proposed Restructure). Should the Proposed Restructure be implemented, the three funds will be consolidated into a single fund (MGF) with two unit classes (an Open Class and a Closed Class). It is intended that both classes of the merged trust be quoted on the ASX.
- 27 In order to implement the component of the Proposed Restructure as it relates to existing unitholders in MGG, it is proposed that MGF will acquire all of the units in MGG on a unit for unit basis at NAV. Magellan (as RE for MGG) has entered into a Scheme Implementation Deed with Magellan (as RE for MGF) which outlines the terms and conditions of the proposed acquisition (the Agreement). The acquisition of MGG units is to be implemented via a trust scheme of arrangement between MGG and its unitholders (the Scheme) and is subject to a number of conditions precedent as summarised below.
- 28 If the Scheme is approved and implemented, MGG unitholders will be offered Closed Class units in MGF in exchange for the existing MGG closed class units they hold on the Scheme Record Date⁸, such that they receive the same number and NAV of Closed Class units in MGF as they hold in MGG units on the Scheme effective date (Scheme Consideration).
- 29 Should the Proposed Restructure be approved and implemented⁹, Magellan (as RE for MGF) intends to provide the following additional benefits to eligible unitholders in the enlarged MGF:
- (a) offer all unitholders (both Open Class and Closed Class) the ability to subscribe for new Closed Class units, and an option for each new Closed Class unit issued (the MGF Partnership Offer)
 - (b) issue bonus options to holders of Closed Class units on the basis of one bonus option for every two Closed Class units held (the Bonus MGF Option issue)¹⁰.
- 30 The MGF Partnership Offer will entitle eligible MGF unitholders to subscribe for \$1 of new Closed Class units for every \$4 of MGF units held based on their unit balance at the calculation date¹¹, capped at the balance of their unitholding at the Scheme implementation date. The subscription price for the new Closed Class units will be the NAV per Closed Class unit on the business day immediately prior to their allotment. Successful applicants will also

⁸ The Scheme Record Date is presently expected to be 7:00pm on the second business day after the Scheme becomes effective.

⁹ In addition to approval from MGG unitholders, the Proposed Restructure also requires the approval of MGF and MGE unitholders.

¹⁰ The Bonus MGF Option issue will be for the benefit of MGF Closed Class unitholders only. Existing MGF and MGE Open Class unitholders will not be eligible for the issue.

¹¹ Expected to be determined in January 2021.



receive a benefit in the form of additional Closed Class units worth 7.5% of the amount subscribed¹².

- 31 Each option issued will be exercisable into a Closed Class unit in MGF, with the exercise price set at a 7.5% discount to the prevailing NAV per unit at the time of exercise¹³. The options will have a three year term and be exercisable daily, subject to an initial holding period. It is intended that all options be quoted on the ASX.

Conditions

- 32 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Agreement dated 2 August 2020:
- (a) respective regulatory approvals from ASIC and the ASX
 - (b) MGG unitholder approval by the requisite majorities at the Scheme meeting
 - (c) MGF unitholder approval of the Proposed Restructure
 - (d) MGE (the other target trust) unitholder approval by the requisite majorities at the MGE Scheme meeting
 - (e) no government or governmental agency action prohibits, materially restricts, makes illegal or restrains the completion of the Scheme
 - (f) no prescribed occurrence occurs with respect to MGG
 - (g) judicial advice from the Court relating to the Scheme
 - (h) judicial advice from the Court relating to the MGF unitholder resolutions
 - (i) an independent expert issues a report which concludes that the Scheme is in the best interests of MGG unitholders
 - (j) an independent expert issues a report which concludes that the Proposed Restructure is in the best interests of MGF unitholders
 - (k) ASX approves the admission of MGF to the official list of ASX and the official quotation of the Closed Class units
 - (l) ASX approves the admission to Trading Status of the MGF Open Class units.

Resolution

- 33 MGG unitholders will be asked to vote on the Scheme in accordance with the resolutions contained in the Notice of Meeting and Explanatory Memorandum:
- (a) an ordinary resolution (i.e. majority of votes cast) to approve, for the purposes of s611(7) of the Corporations Act, MGF acquiring all of the units in MGG
 - (b) a special resolution (i.e. at least 75% of the votes cast) for the purposes of s601GC(1) of the Corporations Act to approve amendments to MGG's Constitution in order to facilitate the implementation of the Scheme
 - (c) an ordinary resolution (i.e. majority of votes cast) to approve the Scheme pursuant to Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act).

¹² Magellan's parent company, MFG, will pay into MGF an amount equal to the cost of these additional units to minimise NAV per unit dilution.

¹³ MFG will also pay into MGF an amount equal to the 7.5% discount to minimise NAV per unit dilution.

II Scope of our report

Purpose

- 34 Although a trust scheme in some ways resembles a company scheme of arrangement, listed managed investment schemes cannot be the subject of a company scheme of arrangement under Part 5.1 of the Corporations Act. It should also be noted that there is no specific statutory mechanism for the implementation of a trust scheme, and unlike a Part 5.1 scheme of arrangement, a trust scheme is not supervised in the same way by the courts or ASIC. Rather, the mechanisms used to implement a trust scheme are governed by the Corporations Act provisions (e.g. s611(7)), Takeovers Panel guidance and general trust law.

Corporations Act

- 35 Section 606 of the Corporations Act generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. Section 604 of the Corporations Act extends the s606 prohibition to managed investment schemes.
- 36 A permissible exception to the s606 prohibition is set out in s611(7), whereby such an acquisition is allowed when it is approved by a majority of securityholders at a general meeting and no votes are cast by the proposed acquirer, vendor or any of their respective associates. Transfer trust schemes cannot be implemented without a vote under s611(7), which must be modified by ASIC in order to enable the vendors not associated with the acquirer to vote on the scheme.
- 37 The Corporations Act requires securityholders approving a s611(7) resolution to be provided with all material information in relation to the proposed transaction. ASIC requires an entity to commission an IER or, if it has the expertise, a director's report to the same standard, in order to discharge the information disclosure requirements imposed upon it by the Corporations Act.

Takeovers Panel

- 38 The Takeovers Panel has assumed jurisdiction of disputes involving trust schemes and considers that the principles in s602 of the Corporations Act and the other policies and protections of Chapter 6 (which concern takeovers) should apply to trust schemes.
- 39 TPGN 15 sets out the Takeover Panel's approach to supervising trust schemes. TPGN 15 requires the Notice of Meeting and Explanatory Memorandum to contain a report by an independent expert. This mandatory requirement is supported by usual practice, the absence of judicial and/or ASIC scrutiny, and the fact that every trust scheme is recommended by the RE of the target even though it has an interest because its management rights are affected.
- 40 The expert report should state:
- (a) whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable to the holders of the target other than the acquirer and its associates
 - (b) the expert's reason for forming that opinion (taking into account acquisitions by the acquirer and its associates in the past four months)

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- (c) the particulars required by s648A(3) of the Corporations Act (which deals with independence).

Other relevant considerations

- 41 Further, the Scheme as proposed is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of MGG unitholders. In addition, the Magellan Directors' recommendation of the Scheme (in the absence of a superior proposal) is subject to an independent expert concluding and continuing to conclude that the Scheme is in the best interests of MGG unitholders.

Our engagement

- 42 Given the above, the Directors of Magellan as responsible entity of MGG have requested LEA to prepare an IER stating whether the proposed acquisition of the units in MGG by MGF under the Scheme is fair and reasonable and in the best interests of MGG unitholders and the reasons for that opinion.
- 43 This report has been prepared by LEA for the benefit of MGG unitholders to assist them in considering the resolutions to approve the Scheme. Our report will accompany the Notice of Meeting and Explanatory Memorandum to be sent to MGG unitholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of MGG unitholders. This report should not be used for any other purpose.
- 44 The ultimate decision whether to approve the Scheme should be based on each MGG unitholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, unitholders should seek independent professional advice.

Basis of assessment

- 45 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, Regulatory Guide 111 – *Content of expert reports* (RG 111), which outlines the approaches which should be used in IERs when opining on public company transactions.
- 46 We have also had regard to TPGN 15, which requires us to form a view as to whether the Scheme is fair and reasonable to the MGG unitholders. TPGN 15 does not define fair and reasonable but does state that the takeover provisions (i.e. Chapter 6) of the Corporations Act apply to trust schemes.
- 47 RG 111 distinguishes “fair” from “reasonable” and considers:
 - (a) the scheme to be “fair” if the value of the scheme consideration is equal to or greater than the value of the securities that are the subject of the scheme. A comparison must be made assuming 100% ownership of the target company
 - (b) the scheme to be “reasonable” if it is fair. The scheme may also be “reasonable” if, despite not being “fair” but after considering other significant factors, there are sufficient reasons for unitholders to approve the scheme in the absence of a superior proposal.

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- 48 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a scheme may be “*in the best interests of the members of the company*” if there are sufficient reasons for securityholders to vote in favour of the scheme in the absence of a higher offer.
- 49 In our opinion, if the Scheme is “fair” and “reasonable” under RG 111 it must also be “in the best interests” of MGG unitholders.
- 50 Our report has therefore considered:
- (a) the market value of 100% of the closed class units in MGG
 - (b) the value of the consideration offered by MGF, being new Closed Class units in MGF
 - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
 - (d) the comparative position of MGG unitholders prior to the Scheme and on the assumption that the Scheme is implemented
 - (e) the advantages and disadvantages of the Scheme generally from the perspective of MGG unitholders
 - (f) other qualitative and strategic issues associated with the Scheme.

Limitations and reliance on information

- 51 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 52 Our report is also based upon financial and other information provided by MGG and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 53 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of MGG securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 54 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a

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misleading or incorrect view or opinion. This report is a result of a complex assessment process that does not lend itself to a partial analysis or summary.

- 55 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 56 In forming our opinion, we have also assumed that:
- (a) the information set out in the Notice of Meeting and Explanatory Memorandum is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.



III Profile of Magellan Global Trust (MGG)

Overview

- 57 MGG is a closed end¹⁴ unit trust for which Magellan acts as both RE and investment manager. It is an actively managed global equities fund with a target cash distribution yield of 4% per annum, paid semi-annually. Units in MGG commenced trading on the ASX on 18 October 2017, after raising \$1,575 million at \$1.50 per unit through an initial public offering.

Fund overview

- 58 MGG is a unit trust which has been registered as a managed investment scheme under the Corporations Act. Magellan, the RE for MGG, is a wholly owned subsidiary of MFG, which is also listed on the ASX. There are two portfolio managers responsible for the investment decisions for MGG, Hamish Douglass (Chairman and Chief Investment Officer of MFG), and Stefan Marcionetti (Portfolio Manager for Magellan). A brief overview of MGG is as follows:

MGG – fund overview

Portfolio managers	Hamish Douglass and Stefan Marcionetti
Structure	Listed Investment Trust
Inception date	18 October 2017
Management fee	1.35% per annum
Fund size / NAV price ⁽¹⁾	A\$2.3 billion / \$1.834 per unit
Distribution frequency ⁽²⁾	Six monthly
Performance fee	10% of excess return of the units of MGG above the higher of the Index Relative Hurdle and the Absolute Return Hurdle. Additionally, the performance fees are subject to a high water mark

Note:

- 1 Fund size and NAV price as at 30 June 2020.
- 2 MGG pays a cash distribution and offers a distribution reinvestment plan, which allows unitholders to reinvest in MGG at a 5% discount to the NAV per unit 10 business days prior to the payment date. To avoid dilution and ensure unitholders electing cash are not disadvantaged, the discount is paid in cash by MFG into the fund.

Fee structure

- 59 As indicated above, MGG pays both management fees and performance fees to Magellan:

- (a) **management fees** – 1.35% per annum (inclusive of the estimated net effect of goods and services tax (GST) less any reduced input tax credits), which is calculated daily based on the NAV of MGG on that business day. The management fees cover all fees, costs, charges, expenses and outgoings that are incurred, such as administration and accounting costs, registry fees, audit and tax advice fees, and investor reporting expenses. Management fees are paid monthly in arrears, however an estimate is accrued daily and allowed for in the NAV per unit calculation

¹⁴ A closed ended product is one where the number of units or shares is fixed (subject to entitlement issues, distribution reinvestment plans etc.), meaning that because supply is limited investors have to trade with each other and therefore they set the price of the unit or share.

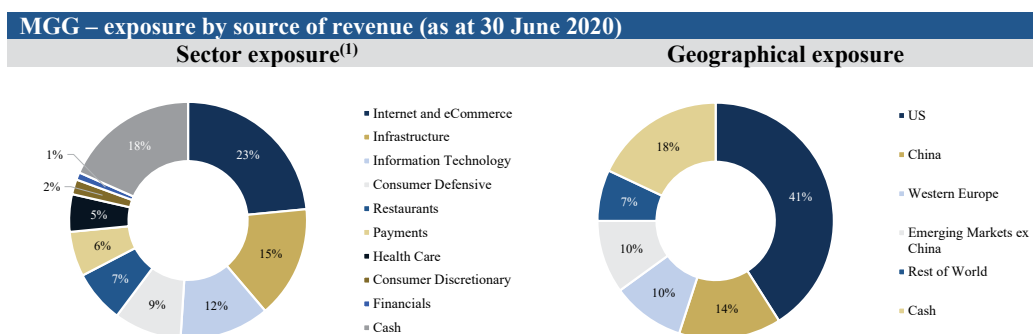
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- (b) **performance fees** – Magellan may be entitled to a performance fee of 10% (inclusive of the estimated net effect of GST less any reduced input tax credits) of the excess return of MGG above the higher of the Index Relative Hurdle (MSCI World Net Total Return Index (AUD)), and the Absolute Return Hurdle (the yield of 10-year Australian Government bonds) over each six month period ending 31 March and 30 September each year. Performance fees are accrued daily in the NAV and are paid subject to the achievement of performance hurdles (and the high water mark) for the relevant period.

Investment portfolio

- 60 MGG's portfolio typically comprises 15 to 35 investments, including equity securities held across a number of sectors and regions globally, as indicated in the table below:



Note:

1 Exposures may not total 100% due to rounding.

Top 10 holdings

- 61 As at 30 June 2020, MGG's portfolio included 23 companies, with the top 10 investments representing 50.4% of the fund, as shown in the table below:

MGG – top 10 investments (as at 30 June 2020)		
Company	Sector	% holding
Microsoft Corp	Information Technology	9.4
Facebook Inc-A	Internet & eCommerce	6.6
Alibaba Group Holding Ltd	Internet & eCommerce	6.0
Alphabet Inc	Internet & eCommerce	5.9
Tencent Holdings Ltd	Internet & eCommerce	4.9
Reckitt Benckiser Group	Consumer Defensive	4.4
Atmos Energy Corp	Gas Utilities	3.8
Visa Inc	Payments	3.3
Eversource Energy	Integrated Power	3.1
Mastercard Inc	Payments	3.0
Total		50.4

Strategy

Investment objectives

- 62 MGG's investment objectives are to provide attractive risk-adjusted returns over the medium to long term, whilst reducing the risk of permanent capital loss. Magellan aims to achieve these objectives by investing in a portfolio of high quality global companies that provide potential for capital growth over the medium to long term, and targeting a cash distribution yield of 4% per annum.

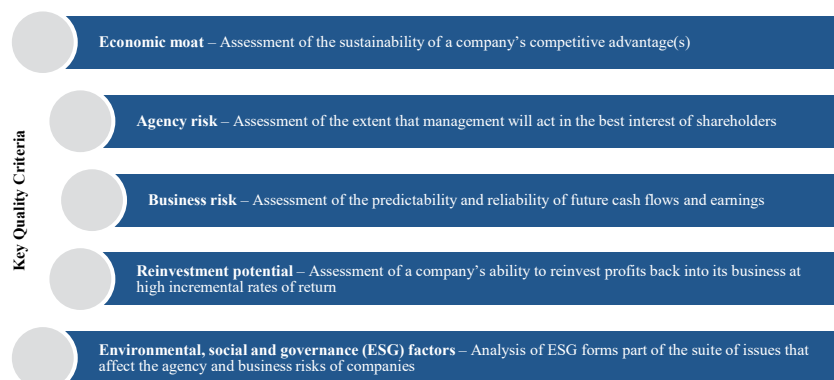
Investment strategy

- 63 Magellan invests in a focused portfolio of high quality global companies, which are considered to have a competitive advantage that can be sustainably exploited in order to earn returns on capital that are in excess of the company's cost of capital. Magellan undertakes extensive fundamental company analysis and seeks to purchase investments when they are trading at a discount to their assessed intrinsic value.
- 64 Magellan also undertakes detailed macroeconomic analysis in order to take advantage of mispricing of economic cycles to manage investment risk. Magellan is able to invest up to 50% of MGG's gross assets in cash and cash equivalents and borrow up to 20% of MGG's gross assets.
- 65 MGG's investment strategy is benchmark agnostic, as it aims to achieve attractive absolute returns, rather than benchmark-relative returns, and has few similarities to market benchmarks or share market indices. Notwithstanding this, Magellan's performance fee is calculated with reference to benchmark indices.

Investment process

- 66 Magellan's investment process integrates three key disciplines:
- (a) **intensive bottom-up stock analysis and industry research** – through in-depth, proprietary company research, seeking to identify sustainable competitive advantages that enable businesses to generate excess returns on capital and predictable cash flow streams. This information is then used to identify stock valuation anomalies. Company research includes an assessment of a company's inherent quality based on the following specific key quality criteria:

MGG – key quality criteria





- (b) **broad and detailed macroeconomic insight** – Magellan also undertakes proprietary macroeconomic research in order to identify and manage risks and opportunities presented by the macroeconomic environment which can be applied in most market conditions to protect the portfolio from external shocks
- (c) **rigorous portfolio construction and risk discipline** – Magellan utilises portfolio construction and formal risk control processes to provide downside protection in falling markets, whilst also providing the flexibility to participate in varying stages of the market cycle.

Permitted investments

- 67 Whilst MGG predominantly invests in global listed securities, it is permitted to invest in a wide variety of assets, including but not limited to the following:
- (a) securities quoted (or soon to be quoted) on a global securities exchange (including the ASX)
 - (b) specialised investment trusts and other pooled investment vehicles
 - (c) unlisted securities
 - (d) options to purchase or sell any investment which is a permitted investment
 - (e) discounted or purchased bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or any corporation
 - (f) convertible notes or preference shares
 - (g) equity swaps; and
 - (h) foreign exchange contracts.

Investment parameters

- 68 The key investment parameters for the construction of MGG's portfolio are based on the following principles:

MGG – key investment parameters	
Exposure	Guidelines
Number of companies	Typically 15 to 35 companies
Asset classes and allocation ranges	Securities – 50% to 100% Cash and cash equivalents – 0% to 50%
Geographical	MGG invests in securities on global securities exchanges
Industry / sector	There are no limitations on industries and sectors, subject to Magellan's commitment to responsible investing
Single security position limit	15% of MGG's gross asset value at the time of purchase
Currency hedging	MGG's foreign currency exposures arising from investment in overseas markets may be hedged
Borrowing policy	MGG may borrow against all or part of the portfolio, provided that, at the time, aggregated borrowings do not exceed 20% of MGG's gross asset value. MGG may also borrow for the predominant purpose of funding a buyback of units and may also, at times, borrow for investment purposes

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Fund performance

- 69 As at 30 June 2020, MGG had returned an average of 11.4% per annum since inception (allowing for reinvestment of unit distributions), as indicated in the chart below:

MGG – fund performance⁽¹⁾

Performance growth chart of A\$10,000



Note:

- 1 Calculations are based on the ASX released NAV with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable).

- 70 MGG's performance to 30 June 2020 in comparison to the MSCI World Net Total Return Index (AUD) is as follows:

MGG – fund performance

	Fund ⁽¹⁾ %	Index ⁽²⁾ %	Excess / (deficiency) %
1 month	(1.7)	(1.0)	(0.7)
3 months	3.5	6.1	(2.6)
6 months	(4.6)	(3.8)	(0.8)
1 year	3.7	4.8	(1.1)
2 years (% per annum)	9.6	8.3	1.3
Since inception (% per annum)	11.4	10.2	1.2

Note:

- 1 Calculations are based on the ASX released NAV with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable).
2 MSCI World Net Total Return Index (AUD).

Financial performance

- 71 The financial performance for MGG since listing on the ASX, including the period from 11 August 2017 to 30 June 2018, and the two years ended 30 June 2020 (FY20), is set out below:

MGG – statement of financial performance ⁽¹⁾			
	11 Aug 17 to 30 Jun 18	FY19	FY20
	\$m	\$m	\$m
Dividend and distribution income	14.1	25.4	29.5
Interest income	4.0	6.2	1.6
Net change in fair value of investments	150.3	286.1	108.9
Net gains / (losses) on foreign exchange settlements, derivatives contracts and cash	27.4	18.8	(25.2)
Total net investment income	195.8	336.6	114.8
Management fees	(16.0)	(25.4)	(29.3)
Performance fees	(0.9)	(3.2)	-
Brokerage costs	(0.1)	(0.1)	(0.2)
Withholding tax on dividends	(2.1)	(3.6)	(4.0)
Finance costs	(0.1)	(0.1)	(0.0)
Other expenses			(0.0)
Total expenses	(19.2)	(32.4)	(33.5)
Profit for the year	176.6	304.2	81.3
<i>Return after fees</i>	<i>11.4%⁽²⁾</i>	<i>15.9%</i>	<i>3.7%</i>
<i>Earnings per unit (cents)</i>	<i>16.83</i>	<i>27.54</i>	<i>6.57</i>
<i>Distributions paid and payable per unit (cents)</i>	<i>6.00</i>	<i>6.00</i>	<i>6.74</i>

Note:

- 1 Rounding differences exist.
- 2 This return is from 18 October 2017 to 30 June 2018 and therefore does not represent a full year period.

- 72 Regarding MGG's FY19 financial performance and outlook, MGG's Annual Fund Review 2019 stated the following:

“Performance

Global stocks rose in the 12 months to June 2019 after companies posted higher-than-expected earnings, the US economy expanded briskly without generating inflation, the Federal Reserve indicated it would stop, and possibly reverse, its gradual tightening of US monetary policy, and the European Central Bank said it would ‘use all the instruments that are in the toolbox’ to help the eurozone’s weak economy. Gains were capped by concerns global growth might slow, driven by China-US tensions and rising political uncertainty in Europe.

The portfolio recorded a return after fees of 15.9% for the 12 months. The stocks that performed best included the investments in Starbucks (+4.0% of the total portfolio return), Microsoft (+2.5%), HCA Healthcare (+2.0%), Visa (+1.9%), Mastercard (+1.8%) and Yum! Brands (+1.7%)...

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The only stocks to detract from performance to any extent were Kraft Heinz (-2.7%), eBay (-0.9%) and Wells Fargo (-0.3%) ...

Outlook

Equity prices rose in the June quarter even though risks remain elevated.

While the likelihood of a deal between China and the US plummeted in May, an agreement to restart talks following the G20 meeting in June raised hopes that the two sides would ultimately settle their differences. This buoyed equity prices, as did central banks signalling their willingness to loosen monetary policy in order to counter risks to growth. But the risk persists that protracted China-US negotiations could undermine global growth so much the deterioration would not be offset by a deal or easier central bank settings ...

Notwithstanding the risks confronting equities, we reduced the cash position in the strategy from 21% to 12% over the 12 months, allocating that cash primarily to 'defensive' stocks. This reflects our decision to adopt a lower-than-historical interest rate in our valuation models and our view that the probability of the third scenario occurring has fallen over the past six months."

- 73 Regarding MGG's FY20 financial performance and outlook, MGG's Annual Fund Review 2020 stated the following:

"Performance

Global stocks rose in the 12 months to June 2020 after huge fiscal and monetary stimulus offset the damage from the coronavirus to economic activity, company profits and investor confidence. Over the last three months of 2019-2020, stocks recovered from postvirus lows after an ebbing in infection rates in developed countries allowed governments to ease restrictions on everyday life, even though the economic hit from the virus was so stark that the US entered its first recession in nearly 11 years.

The portfolio recorded a return after fees of 3.7% for the 12 months. The stocks that performed best included the investments in Microsoft (+3.9% of the total portfolio return), Alphabet (+2.1%) and Apple (+1.9%) ...

The stocks that detracted from performance included the investments in Yum! Brands (-1.2%), Anheuser-Busch InBev (-1.0%) and HCA Healthcare (-0.5%) ...

Outlook

The outlooks for the economy and equity markets remain uncertain. Key will be the pace of economic reopening and policymaker responses. We continue to see four scenarios.

The best scenario is a V-shaped recovery; a fleeting recession. This would require a quick and successful reopening supported by policymakers, with most furloughed workers returning to their pre-pandemic hours. This scenario still appears relatively unlikely.

The worst scenario is a depression, where reopening is very slow and there is a policy error, hurting employment and output. This would be the worst outcome for markets but also appears relatively unlikely.

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The two middle scenarios are a U-shaped recovery from a recession and a prolonged and deep recession. The downturn that occurred after the global financial recession lay between these two scenarios. It is still challenging to definitively predict if the current downturn will be more or less severe than the recession of 2008-2009.

Due to our cautious economic outlook and the risks confronting equities, we raised the cash position in the strategy from 12% to 18% over the 12 months."

Financial position

74 The financial position of MGG as at 30 June 2019 and 30 June 2020 is set out below:

MGG – statement of financial position ⁽¹⁾		
	30 Jun 19	30 Jun 20
	\$m	\$m
Cash and cash equivalents	249.7	417.4
Receivables	2.5	3.1
Investments	1,995.2	1,853.2
Derivative assets	20.1	-
Total assets	2,267.5	2,273.7
Derivative liabilities	-	6.2
Distributions payable	37.1	42.5
Payables	5.3	3.1
Total liabilities	42.4	51.8
Net assets	2,225.1	2,222.0
<i>Units on issue (million)</i>	<i>1,236.5</i>	<i>1,234.7</i>
<i>NAV per unit (\$) ⁽²⁾</i>	<i>1.7995</i>	<i>1.7996</i>

Note:

- 1 Rounding differences exist.
- 2 The NAV per unit represents the net assets presented in the statement of financial position at 30 June divided by the number of units on issue at 30 June each year. This differs to the NAV reported to the ASX on 30 June due primarily to allowance for the final distribution.

Cash and cash equivalents

75 Cash and cash equivalents comprises cash at bank and short-term highly liquid investments that are readily convertible to cash. Cash at bank is denominated in various currencies, with the majority held in United States of America (US) dollars (USD).

Investments and derivatives

76 Investments comprise equity securities, derivative assets and derivative liabilities. A summary of MGG's investments and derivative assets and liabilities as at 30 June 2019 and 30 June 2020 is detailed below:

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MGG – investments and derivatives⁽¹⁾⁽²⁾		
	30 Jun 19 \$m	30 Jun 20 \$m
Internationally listed equity securities		
US	1,653.2	1,470.9
Switzerland	87.8	111.5
Hong Kong	-	110.5
United Kingdom (UK)	85.4	99.3
Germany	72.3	61.0
Belgium	58.5	-
France	38.1	-
Total equity securities⁽³⁾	1,995.2	1,853.2
Forward foreign currency contract assets	20.1	-
Total derivative assets⁽⁴⁾	20.1	-
Forward foreign currency contract liabilities	-	(6.2)
Total derivative liabilities⁽⁴⁾	-	(6.2)

Note:

- 1 Rounding differences exist.
- 2 Shown by domicile of primary stock exchange listing.
- 3 The fair value of equity securities traded in active markets is based on their quoted market prices at balance date with any deduction for estimated future selling costs. The quoted market price is the closing price for the security as quoted on the relevant stock exchange.
- 4 The fair value of derivative contracts are derived from one or more underlying price, index or other variable. Derivatives are classified as an asset when the fair value as at balance sheet is positive, and a liability when the fair value is negative.

Currency exposure

- 77 MGG has significant foreign currency exposure arising from its investments in foreign securities, which are predominantly domiciled in the US. MGG's currency exposure is managed by Magellan, and as at 30 June 2020 had 20% of its currency exposure hedged to AUD. MGG's total net exposure to fluctuations in foreign currency exchange rates as at 30 June 2019 and 30 June 2020 is shown below:

MGG – exposure to foreign currency		
	30 Jun 19 \$m	30 Jun 20 \$m
Assets and liabilities denominated in		
USD	739.3	1,426.6
Swiss francs	88.7	112.7
Hong Kong dollars	-	110.5
British pounds	85.4	99.3
Euros	168.9	61.2

Distributions payable

- 78 MGG pays an interim distribution to unitholders for the six months to 31 December and a final distribution for the six months to 30 June. A distribution payable is recognised on the balance sheet where the distribution has been declared but remains unpaid as at the balance sheet date.

Capital structure and ownership

- 79 As at 30 June 2020, MGG had 1,234.7 million fully paid ordinary units on issue, with the 20 largest unitholders accounting for 21.3% of the MGG units on issue (including a 0.3% interest held by MFG).
- 80 On 29 January 2019, MGG announced a unit purchase plan offer, providing eligible unitholders the opportunity to acquire up to \$15,000 worth of new fully paid ordinary units in MGG at a 5% discount to NAV per unit, without incurring any brokerage. MGG received applications from more than 21,000 unitholders, raising approximately \$277 million and issuing approximately 181 million new units (on 13 March 2019). To minimise dilution from the offer, MFG paid consideration of approximately \$14.6 million into MGG (in respect of the new units issued), equal to the 5% discount to the NAV per unit from which the offer price was determined.

Unit price performance

- 81 The following chart illustrates the movement in the unit price of MGG relative to the NAV per unit from 18 October 2017 to 31 August 2020:

MGG – unit price history⁽¹⁾

18 October 2017 to 31 August 2020



Source: Bloomberg and LEA analysis.

- 82 MGG's unit price has generally traded at a discount to its NAV per unit, which has increased in more recent periods, as shown below:

MGG – discount to NAV per unit

Period	Average (%)	Median (%)
17 October 2017 to 30 June 2018	(0.5)	(2.1)
1 July 2018 to 30 June 2019	(0.6)	(0.8)
1 July 2019 to 30 June 2020	(2.8)	(2.4)
1 July 2020 to 31 August 2020	(2.7)	(3.2)

Source: Bloomberg and LEA analysis.

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Liquidity in MGG units

- 83 The liquidity in MGG units based on trading on the ASX over the 12 month period prior to 31 August 2020 is set out below:

MGG – liquidity in units						
Period	Start date	End date	No. of units traded 000	WANON ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	1 Aug 20	31 Aug 20	26,754	1,249,313	2.1	25.7
3 months	1 Jun 20	31 Aug 20	77,998	1,242,897	6.3	25.1
6 months	1 Mar 20	31 Aug 20	200,117	1,241,284	16.1	32.2
1 year	1 Sep 19	31 Aug 20	361,312	1,240,456	29.1	29.1

Note:

- 1 Weighted average number of units outstanding (WANON) during relevant period.
- 2 Number of units traded during the period divided by WANON.
- 3 Implied annualised figure based upon implied level of liquidity for the period.



IV Profile of Magellan Global Fund (MGF)

Overview

- 84 MGF is an unlisted fund for which Magellan Asset Management (Magellan) acts as both RE and investment manager. It is a specialised and focused long-only global equities fund that invests in an unconstrained, concentrated portfolio of high-quality companies. The units issued by MGF are open ended units¹⁵. MGF was launched on 1 July 2007 and is available to both retail and institutional investors, with a minimum initial investment requirement of AS\$10,000.

Fund overview

- 85 MGF is a unit trust registered as a managed investment scheme under the Corporations Act. MGF's RE, Magellan, is a wholly owned subsidiary of MFG, an ASX listed entity. Hamish Douglass (Chairman and Chief Investment Officer of MFG) is the portfolio manager responsible for the investment decisions of MGF. A brief overview of MGF is as follows:

MGF – fund overview

Portfolio manager	Hamish Douglass
Structure	Global equity fund, AUD unhedged
Inception date	1 July 2007
Management fee	1.35% per annum
Buy / sell spread ⁽¹⁾	0.07% / 0.07%
Fund size ⁽²⁾	AS\$11.6 billion
Distribution frequency	Annually at 30 June
Performance fee	10% of excess return of the units of MGF above the higher of the Index Relative Hurdle and the Absolute Return Hurdle. Additionally, the performance fees are subject to a high water mark

Note:

- 1 Buy and sell spreads refer to the transaction costs to enter and exit MGF.
- 2 Fund size as at 30 June 2020.

Fee structure

- 86 As indicated above, MGF pays both management fees and performance fees to Magellan¹⁶:
- (a) **management fees** – 1.35% per annum (inclusive of the estimated net effect of GST less any reduced input tax credits), which is calculated monthly based on the underlying NAV, with an estimate accrued daily. The management fees cover all fees, costs, charges, expenses and outgoings that are incurred, such as administration and accounting costs, audit and tax fees, and investor reporting expenses. Management fees are paid monthly in arrears, however an estimate is accrued daily and allowed for in the NAV per unit calculation
 - (b) **performance fees** – Magellan may be entitled to a performance fee of 10% (inclusive of the estimated net effect of GST less any reduced input tax credits) of the excess

¹⁵ An open-ended product is one where new units can be created in the fund as investors buy in or units can be cancelled when investors exit the fund. Liquidity is provided by the fund. The entry and exit price of a unit is based on the NAV of the fund.

¹⁶ These fees may be individually negotiated for wholesale clients.

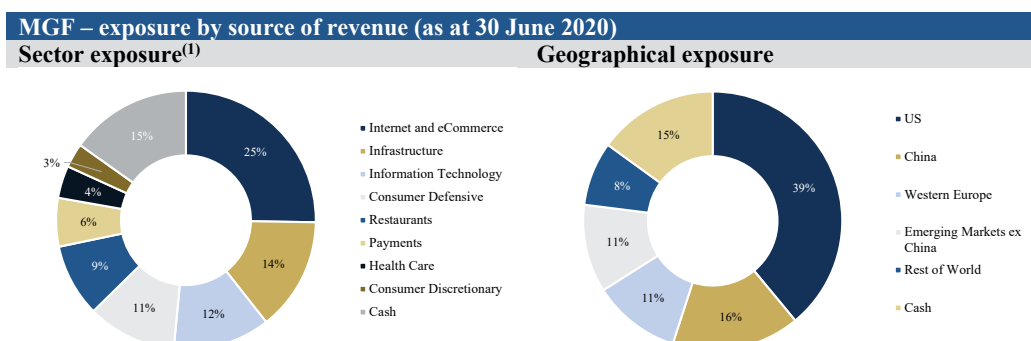
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return of MGF above the higher of the Index Relative Hurdle (MSCI World Net Total Return Index (AUD)), and the Absolute Return Hurdle (the yield of 10-year Australian Government bonds) over each six month period ending 31 December and 30 June each year. Performance fees are accrued daily in the NAV calculation and are paid subject to the achievement of performance hurdles (and the high water mark) for the relevant period.

Investment portfolio

- 87 MGF's portfolio typically comprises 20 to 40 investments, including equity securities held across a number of sectors and regions globally, as indicated in the table below:



Note:

¹ Exposures may not total 100% due to rounding.

Top 10 holdings

- 88 As at 30 June 2020, MGF's portfolio included 21 companies, with the top 10 investments representing 54.2% of the fund, as shown in the table below:

MGF – top 10 investments (as at 30 June 2020)		
Company	Sector	% holding
Microsoft Corp	Information Technology	8.1
Tencent Holdings Ltd	Internet & eCommerce	6.7
Alibaba Group Holding Ltd	Internet & eCommerce	6.6
Alphabet Inc	Internet & eCommerce	6.0
Facebook Inc-A	Internet & eCommerce	5.7
Reckitt Benckiser Group	Consumer Defensive	4.7
Starbucks Corp	Restaurants	4.3
Novartis AG	Health Care	4.2
Crown Castle International	Communications	4.0
SAP SE	Information Technology	3.9
Total		54.2

Strategy

Investment objectives

- 89 MGF's investment objectives are to provide attractive risk-adjusted returns of 9% per annum over the medium to long term, whilst reducing the risk of permanent capital loss. Magellan aims to achieve these objectives by investing in a portfolio of high quality global companies that provide potential for capital growth over the medium to long term.

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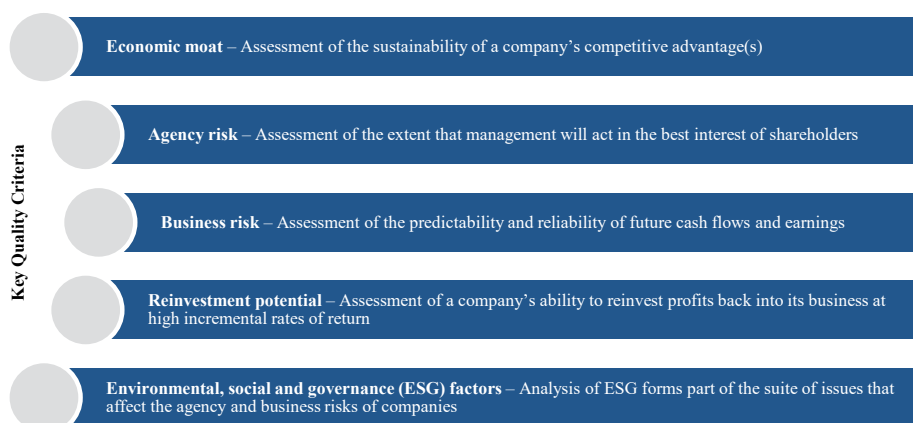
Investment strategy

- 90 Magellan invests in a focused portfolio of high quality global companies, which are distinguished as having a competitive advantage that can be sustainably exploited in order to earn returns on capital that are in excess of the company's cost of capital. Magellan undertakes extensive fundamental company analysis and seeks to purchase investments when they are trading at a discount to their assessed intrinsic value.
- 91 Magellan also undertakes detailed macroeconomic analysis in order to take advantage of mispricing of economic cycles to manage investment risk. Magellan is able to invest up to 20% of MGF's gross assets in cash and cash equivalents and borrow up to 5% of MGF's gross assets.
- 92 MGF's investment strategy is benchmark agnostic, as it aims to achieve attractive absolute returns, rather than benchmark-relative returns, and has few similarities to market benchmarks or share market indices. Notwithstanding this, Magellan's performance fee is calculated with reference to benchmark indices.

Investment process

- 93 Magellan's investment process integrates three key disciplines:
- (a) **intensive bottom-up stock analysis and industry research** – through in-depth, proprietary company research, seeking to identify sustainable competitive advantages that enable businesses to generate excess returns on capital and predictable cash flow streams. This information is then used to identify stock valuation anomalies. Company research includes an assessment of a company's inherent quality based on the following specific key quality criteria:

MGF – key quality criteria



- (b) **broad and detailed macroeconomic insight** – Magellan also undertakes proprietary macroeconomic research in order to identify and manage risks and opportunities presented by the macroeconomic environment which can be applied in most market conditions to protect the portfolio from external shocks



- (c) **rigorous portfolio construction and risk discipline** – Magellan utilises portfolio construction and formal risk control processes to provide downside protection in falling markets, whilst also providing the flexibility to participate in varying stages of the market cycle.

Permitted investments

- 94 Whilst MGF predominantly invests in global listed securities, it is permitted to invest in a wide variety of assets, including but not limited to the following:
- (a) securities quoted (or soon to be quoted) on a global securities exchange (including the ASX)
 - (b) specialised investment trusts and other pooled investment vehicles
 - (c) unlisted securities
 - (d) options to purchase or sell any investment which is a permitted investment
 - (e) discounted or purchased bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or any corporation
 - (f) convertible notes or preference shares
 - (g) equity swaps; and
 - (h) foreign exchange contracts.

Investment parameters

- 95 The key investment parameters for the construction of MGF's portfolio are based on the following principles:

MGF – key investment parameters	
Exposure	Guidelines
Number of companies	Typically 20 to 40 companies
Asset classes and allocation ranges	Securities – 80% to 100%
Geographical	Cash and cash equivalents – 0% to 20%
Currency hedging	MGF invests in securities on global securities exchanges
Borrowing policy	MGF's foreign currency exposures arising from investment in overseas markets are unhedged
	MGF may borrow against all or part of the portfolio, provided that, at the time, aggregated borrowings do not exceed 5% of MGF's gross asset value

Fund performance

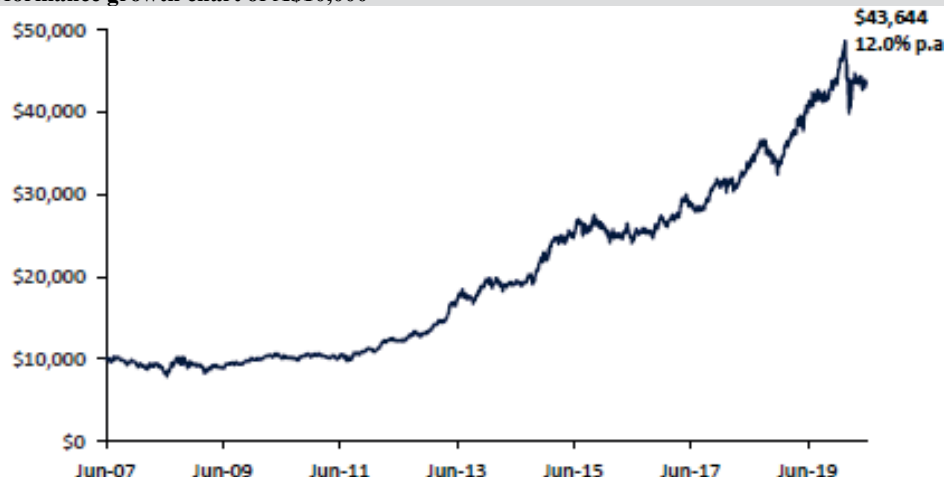
- 96 As at 30 June 2020, MGF had returned an average of 12% per annum since inception, as indicated in the chart below:

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MGF – fund performance

Performance growth chart of A\$10,000



Note:

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).

- 97 MGF's performance to 30 June 2020 in comparison to the MSCI World Net Total Return Index (AUD) is as follows:

MGF – fund performance

	Fund ⁽¹⁾ %	Index ⁽²⁾ %	Excess / (deficiency) %
1 month	(1.6)	(1.0)	(0.6)
3 months	1.9	6.1	(4.2)
6 months	0.7	(3.8)	4.5
1 year	9.0	4.8	4.2
3 years (% per annum)	15.3	10.6	4.7
5 years (% per annum)	12.0	9.3	2.7
7 years (% per annum)	14.3	12.9	1.4
10 years (% per annum)	15.8	12.2	3.6
Since inception (% per annum)	12.0	6.3	5.7

Note:

- 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).
 2 MSCI World Net Total Return Index (AUD).

Financial performance

- 98 The financial performance for MGF for the three years ended FY20 is set out below:

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MGF – statement of financial performance ⁽¹⁾			
	FY18	FY19	FY20
	\$m	\$m	\$m
Total net investment income	136.3	142.5	157.4
Dividend and distribution income	11.7	31.7	8.9
Net change in fair value of investments	1,431.2	1,785.1	1,115.1
Net gains / (losses) on foreign exchange settlements, derivatives contracts and cash	61.2	93.0	(128.9)
Other income	0.4	0.3	0.0
Total net investment income	1,640.7	2,052.5	1,152.6
Management fees	(128.1)	(137.0)	(159.8)
Performance fees	(18.9)	(14.1)	(3.1)
Brokerage costs	(0.6)	(0.5)	(0.9)
Withholding tax on dividends	(19.8)	(20.6)	(22.4)
Total expenses	(167.4)	(172.2)	(186.2)
Profit for the year	1,473.3	1,880.3	966.4
<i>Return after fees</i>	<i>16.9%</i>	<i>20.2%</i>	<i>9.0%</i>
<i>Distributions paid and payable per unit (cents)</i>	<i>16.1</i>	<i>11.8</i>	<i>10.5</i>

Note:

1 Rounding differences exist.

- 99 Regarding MGF's FY19 financial performance and outlook, MGF's Annual Fund Review 2019 stated the following:

“Performance

Global stocks rose in the 12 months to June 2019 after companies posted higher-than-expected earnings, the US economy expanded briskly without generating inflation, the Federal Reserve indicated it would stop, and possibly reverse, its gradual tightening of US monetary policy, and the European Central Bank said it would ‘use all the instruments that are in the toolbox’ to help the eurozone’s weak economy. Gains were capped by concerns global growth might slow, driven by China-US tensions and rising political uncertainty in Europe.

The portfolio recorded a return after fees of 20.2% for the 12 months, while the hedged version’s return after fees was 13.8%. The stocks that performed best included the investments in Starbucks (+3.7% of the total portfolio return), Microsoft (+2.5%), Visa (+2.0%), Yum! Brands (+1.7%), Mastercard (+1.6%) and HCA Healthcare (+1.5%) ...

The only stocks to detract from performance to any extent were Kraft Heinz (-2.8%) and Wells Fargo (-0.2%)...

Outlook

Equity prices rose in the June quarter even though risks remain elevated.

While the likelihood of a deal between China and the US plummeted in May, an agreement to restart talks following the G20 meeting in June raised hopes that the two sides would ultimately settle their differences. This buoyed equity prices, as did central banks signalling

their willingness to loosen monetary policy in order to counter risks to growth. But the risk persists that protracted China-US negotiations could undermine global growth so much the deterioration would not be offset by a deal or easier central bank settings ...

Notwithstanding the risks confronting equities, we reduced the cash position in the strategy from 18% to 8% over the 12 months, allocating that cash primarily to 'defensive' stocks. This reflects our decision to adopt a lower-than-historical interest rate in our valuation models and our view that the probability of the third scenario occurring has fallen over the past six months."

- 100 Regarding MGF's FY20 financial performance and outlook, MGF's Annual Fund Review 2020 stated the following:

"Performance

Global stocks rose in the 12 months to June 2020 after huge fiscal and monetary stimulus offset the damage from the coronavirus to economic activity, company profits and investor confidence. Over the last three months of 2019-2020, stocks recovered from postvirus lows after an ebbing in infection rates in developed countries allowed governments to ease restrictions on everyday life, even though the economic hit from the virus was so stark that the US entered its first recession in nearly 11 years.

The portfolio recorded a return after fees of 9.0% for the 12 months, while the hedged version's return after fees was 4.5%. The stocks that performed best included the investments in Microsoft (+3.3% of the total portfolio return), Alphabet (+1.9%) and Apple (+1.6%) ...

The stocks that detracted from performance included the investments in Yum! Brands (-0.9%) and Anheuser-Busch InBev (-0.9%)...

Outlook

The outlooks for the economy and equity markets remain uncertain. Key will be the pace of economic reopening and policymaker responses. We continue to see four scenarios.

The best scenario is a V-shaped recovery; a fleeting recession. This would require a quick and successful reopening supported by policymakers, with most furloughed workers returning to their pre-pandemic hours. This scenario still appears relatively unlikely.

The worst scenario is a depression, where reopening is very slow and there is a policy error, hurting employment and output. This would be the worst outcome for markets but also appears relatively unlikely.

The two middle scenarios are a U-shaped recovery from a recession and a prolonged and deep recession. The downturn that occurred after the global financial recession lay between these two scenarios. It is still challenging to definitively predict if the current downturn will be more or less severe than the recession of 2008-2009.

Due to our cautious economic outlook and the risks confronting equities, we raised the cash position in the strategy from 8% to 15% over the 12 months."

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Financial position

101 The financial position of MGF as at 30 June 2019 and 30 June 2020 is set out below:

MGF – statement of financial position ⁽¹⁾		
	30 Jun 19 \$m	30 Jun 20 \$m
Cash and cash equivalents	899.2	1,777.1
Receivables	15.1	21.6
Investments	10,310.8	9,824.9
Total assets	11,225.1	11,623.7
Distributions payable	521.6	463.8
Payables	44.9	26.7
Total liabilities	566.5	490.5
Net assets	10,658.7	11,133.2
<i>Units on issue (million)</i>	<i>4,423.6</i>	<i>4,417.3</i>
<i>NAV per unit (\$) ⁽²⁾</i>	<i>2.41</i>	<i>2.52</i>

Note:

- 1 Rounding differences exist.
- 2 The NAV per unit represents the net assets presented in the statement of financial position at 30 June divided by the number of units on issue at 30 June each year.

Cash and cash equivalents

102 Cash and cash equivalents comprises cash at bank and short-term highly liquid investments that are readily convertible to cash. Cash at bank is denominated in various currencies with the primary balance held in USD.

Investments

103 Investments comprise globally listed equity securities, a summary of which as at 30 June 2019 and 30 June 2020 is detailed below:

MGF – internationally listed equity securities ⁽¹⁾⁽²⁾		
	30 Jun 19 \$m	30 Jun 20 \$m
US	8,093.6	7,041.6
Switzerland	844.3	887.8
Hong Kong	-	776.3
UK	402.7	540.1
Germany	509.4	450.1
France	235.2	129.1
Belgium	113.8	-
Netherlands	111.9	-
Total equity securities⁽³⁾	10,310.8	9,824.9

Note:

- 1 Rounding differences exist
- 2 Shown by domicile of primary stock exchange listing.
- 3 The fair value of equity securities traded in active markets is based on their quoted market prices at balance date with a deduction for estimated future selling costs. The quoted market price is the closing price for the security as quoted on the relevant stock exchange.

Schedule 2 Independent Expert's Report



Currency exposure

- 104 MGF has significant foreign currency exposure arising from its investments in foreign securities, which are predominantly domiciled in the US. Magellan does not hedge the foreign currency exposure of MGF arising from investments in global markets. MGF's total net exposure to fluctuations in foreign currency exchange rates as at 30 June 2019 and 30 June 2020 is shown below:

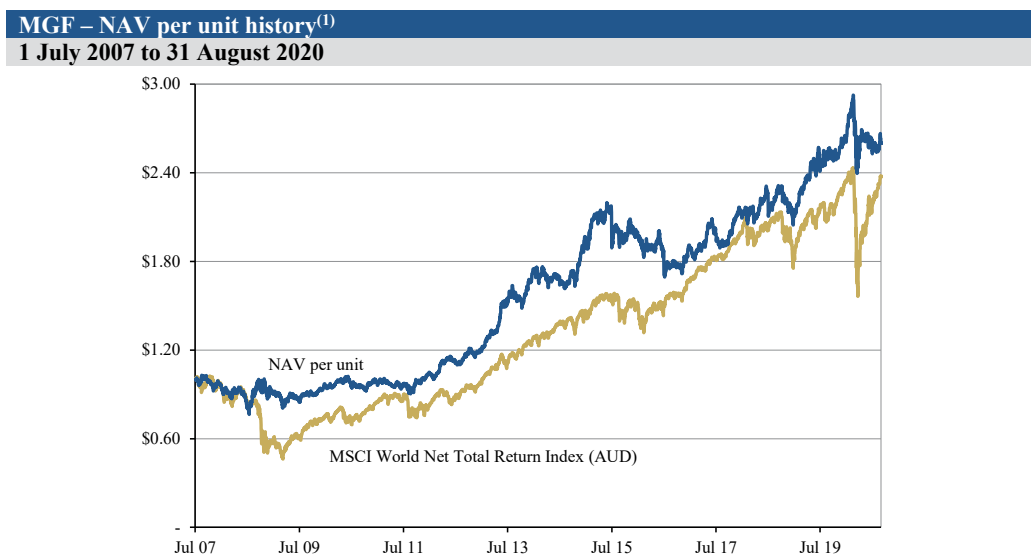
MGF – exposure to foreign currency		
Assets and liabilities denominated in	30 Jun 19 \$m	30 Jun 20 \$m
USD	8,935.4	8,802.0
Swiss francs	852.3	896.5
Hong Kong dollars	-	776.3
Euros	971.4	579.5
British pounds	402.7	540.1

Distributions payable

- 105 MGF pays an annual distribution for the 12 months to 30 June. A distribution payable is recognised on the balance sheet where the distribution has been declared but remains unpaid as at the balance sheet date.
- 106 On 24 September 2020 Magellan (as RE of MGF) announced a change in distribution policy to reflect an intention to target a rate of distribution of 4% per annum of the underlying NAV to be paid semi-annually in respect of the Open Class units in MGF.

NAV per unit performance

- 107 MGF's NAV per unit has outperformed the MSCI World Net Total Return Index (AUD) since the fund's inception in July 2007, as shown in the following chart:



Note:

¹ The MSCI World Net Total Return Index (AUD) has been rebased to MGF's issue NAV per unit of \$1.00.

Source: Bloomberg and LEA analysis.



Unit redemptions

- 108 MGF redemptions can be undertaken at any time provided the withdrawal is for at least \$5,000¹⁷. Unitholders must send a completed withdrawal form or written notice of withdrawal indicating the specified dollar amount to be withdrawn, a specified number of units to be withdrawn, or a full redemption of the unitholder's investment.
- 109 Redemption payments are usually paid into a nominated bank account within seven business days after receipt and acceptance of the withdrawal request. However, during July of each year, or at any other time when MGF is processing a distribution, withdrawal payments may be delayed by up to 15 business days. There may also be other circumstances, such as a freeze on withdrawals or where MGF is illiquid (as defined in the Corporations Act), where the ability to withdraw from MGF is restricted and unitholders may have to wait a period of time before they can withdraw some or all of their investment.

¹⁷ If the withdrawal request results in the remaining investment in MGF falling below \$5,000, the unitholder may be required to withdraw their entire balance.

V Valuation of MGG

Valuation methodology

- 110 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to unitholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect the value of a security on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Stock market value of underlying listed investments

- 111 As set out in Section III, the portfolio of MGG comprises a number of investments in listed securities, together with cash and cash equivalents. As there is a liquid and active market in respect of these investments, in assessing the value of the units in MGG we have had regard to:
- (a) the quoted price of the respective listed securities
 - (b) the market value of the underlying investments, together with cash and cash equivalents.

Valuation of MGG

- 112 Pursuant to RG 111, in considering whether the Scheme is fair, we are required to assess the value of MGG (effectively the target) on a 100% controlling interest basis.
- 113 In this regard, in considering the extent (if any) to which a notional acquirer of MGG would pay a premium over the pro-rata value of a portfolio (minority) interest therein to acquire a 100% interest in MGG, we have had regard to the following:
- (a) the MGG investment portfolio comprises portfolio interests in a number of underlying listed investments, together with cash and cash equivalents
 - (b) given the nature and composition of the portfolio an investor could readily replicate the portfolio
 - (c) whilst transaction costs would be incurred in replicating the portfolio, these are unlikely to be material for professional / sophisticated investors and would likely be not greater

Schedule 2 Independent Expert's Report



than (and most likely less than) the unavoidable corporate / regulatory costs, delays and uncertainties that would be incurred by a notional acquirer seeking a 100% controlling interest in MGG

- (d) it is unlikely that a notional acquirer would want an investment in all the entities that comprise the MGG portfolio, nor the proportionate distribution thereof and would therefore be acquiring some shares to immediately sell them (with associated transaction costs)
 - (e) a notional acquirer would not want to acquire those parts of the MGG portfolio where the tax cost base was less than the current stock market value.
- 114 Based on the above, we are of the view that a notional acquirer of MGG would not pay a premium over the pro-rata value of a portfolio interest therein to acquire a 100% interest in MGG.
- 115 As noted above, it is proposed that MGF will create a new Closed Class unit identical to the existing MGG closed class units and will then acquire all of the existing closed class units in MGG on a 1 for 1 basis. If the Scheme is approved and implemented, MGG unitholders will therefore receive Closed Class units in MGF in exchange for their existing MGG closed class units to an equivalent number and NAV.
- 116 Whilst the respective values attributable to these units will be a function of the NAV of the underlying portfolio at the time the Scheme becomes effective, for illustrative purposes in this report we have calculated the NAV of the existing closed class units in MGG as at 30 June 2020 (based on the financial statements of MGG as at that date).
- 117 In this regard we have reviewed the calculations prepared by Magellan (as RE of MGG) and have sought to replicate the Magellan calculations. In particular we have:
- (a) checked the quoted prices of the respective listed securities adopted for NAV calculation purposes to prices quoted on the respective security exchanges
 - (b) calculated the value of the investment portfolio, after appropriate allowance for estimated future selling costs
 - (c) allowed for outstanding receivables and payables, together with the market value of foreign currency derivative contracts
 - (d) adjusted for declared but unpaid distributions
 - (e) aggregated (b), (c) and (d) above with cash and cash equivalents to determine the total NAV
 - (f) divided the total NAV by the number of units on issue to determine NAV per unit.
- 118 Based on the reported position as at 30 June 2020, the NAV of MGG was \$2,222.0 million and the NAV per unit for MGG was \$1.7996, calculated as follows:

MGG – NAV per unit	
	30 Jun 20
NAV of MGG (\$m)	2,222.0
Number of units (m)	1,234.7
NAV per unit (\$)	1.7996

36



- 119 Accordingly, had the Scheme become effective on 30 June 2020, existing MGG closed class unitholders would have received an equivalent number of newly created Closed Class units in MGF with a NAV of \$1.7996 per unit.

Deferred tax liability

- 120 Magellan (as RE of MGG) has advised that, consistent with listed fund industry practice, the calculation of NAV does not reflect the deferred tax liability on the difference between the market value of MGG's NAV and the tax cost base of those assets.
- 121 There are a number of reasons for this practice including:
- (a) MGG is a unit trust and, provided its taxable income is distributed to unitholders, is not itself liable to pay tax
 - (b) it is the policy of MGG to make regular annual cash distributions to unitholders which include an element of realised capital gains
 - (c) although unitholders may, depending on their tax status and level of taxable income, be taxed on the income attributed, the individual tax circumstances of unitholders vary widely
 - (d) MGG is generally a long term investor and it may be many years before it crystallises significant capital gains
 - (e) the present value of any capital gains tax liabilities (albeit in the hands of unitholders) is significantly less than the prima facie capital gain
 - (f) this present value will be further reduced by the favourable tax treatment of capital gains for many unitholders and would be passed on to subsequent unitholders if the units are sold.
- 122 Based on the advised cost base and market value of investments (as at 30 June 2020) of the respective investment portfolios of MGG and MGF, there is a difference as a percentage of the portfolio value in the respective potential deferred tax liability positions. However, given the likely period over which the respective tax liabilities may crystallise, in our opinion, the net present value of the deferred tax liability differential is not material.



VI Evaluation of the Scheme

123 In our opinion, the Scheme is fair and reasonable and in the best interests of MGG unitholders in the absence of a superior proposal. We have formed this opinion for the following reasons.

Assessment of the Scheme

Fair and reasonable opinion

124 Pursuant to RG 111 a scheme is “fair” if the value of the scheme consideration is equal to or greater than the value of the securities the subject of the scheme.

125 As noted above, if the Scheme is approved and implemented, MGG unitholders will be offered new Closed Class units in MGF in exchange for the existing closed class MGG units they hold on a 1 for 1 basis. The new Closed Class MGF units will be identical in nature to the existing closed class units in MGG.

126 Accordingly, as the value of the Scheme Consideration (Closed Class units in MGF) will be equal to the value of the closed class units in MGG being acquired, in our opinion, the Scheme Consideration is fair to MGG unitholders when assessed based on the guidelines set out in RG 111.

127 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of unitholders.

128 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of MGG unitholders in the absence of a superior proposal.

129 In assessing whether the Scheme is reasonable and in the best interests of MGG unitholders LEA has also considered, in particular:

- (a) the comparative position of MGG unitholders prior to the Scheme and on the assumption that the Scheme is implemented
- (b) the advantages and disadvantages of the Scheme generally from the perspective of MGG unitholders
- (c) other qualitative and strategic issues associated with the Scheme.

130 These issues are discussed in detail below.

Comparative position of MGG unitholders

131 We have considered the comparative position of MGG unitholders prior to the Scheme and on the assumption that the Scheme is implemented, in particular as regards annual distributions received by unitholders, the annual level of management fees payable, the liquid nature of the investment in MGG units, the underlying NAV, together with the underlying portfolio mix of investments and associated investment risk.



Annual distributions

- 132 MGG presently pays an interim distribution to unitholders for the six months to 31 December and a final distribution for the six months to 30 June. MGG pays a cash distribution and offers a distribution reinvestment plan, which allows unitholders to reinvest in MGG at a 5% discount to the NAV per unit 10 business days prior to the payment date¹⁸.
- 133 Pursuant to the Scheme, Magellan (as RE of MGF) has announced:
- (a) an intention to target a rate of distribution of 4% per annum on the underlying NAV to be paid semi-annually in respect of the new Closed Class units in MGF. This is the same as the current MGG targeted rate (however, the distribution date will change from 31 March to 30 June)
 - (b) a proposed distribution reinvestment plan, which will allow MGF Closed Class unitholders to reinvest in Closed Class units in MGF at a 7.5% discount to the NAV per unit.
- 134 Those MGG unitholders that have previously elected to participate in the distribution reinvestment plan (and continue to do so) will therefore receive an increased financial benefit (higher rate of discount to NAV) compared to the prevailing situation.

Management fees

- 135 As set out in Section III, MGG pays both management fees and performance fees to Magellan:
- (a) **management fees** – 1.35% per annum (inclusive of the estimated net effect of GST less any reduced input tax credits), which is calculated daily based on the NAV of MGG on that business day. The management fees cover all fees, costs, charges, expenses and outgoings that are incurred, such as administration and accounting costs, registry fees, audit and tax advice fees, and investor reporting expenses. Management fees are paid monthly in arrears, however an estimate is accrued daily and allowed for in the NAV per unit calculation
 - (b) **performance fees** – Magellan may be entitled to a performance fee of 10% (inclusive of the estimated net effect of GST less any reduced input tax credits) of the excess return of MGG above the higher of the Index Relative Hurdle (MSCI World Net Total Return Index (AUD)), and the Absolute Return Hurdle (the yield of 10-year Australian Government bonds) over each six month period ending 31 March and 30 September each year. Performance fees are accrued daily in the NAV and are paid subject to the achievement of performance hurdles (and the high water mark) for the relevant period.
- 136 Pursuant to the Scheme, Magellan (as RE of MGF) has announced that the same rate of management fee and performance fees will apply in respect of the new Closed Class units in MGF. Accordingly, we would not expect there to be any change to the annual level of management (including performance) fees payable by existing Closed Class MGG unitholders subsequent to implementation of the Scheme.

¹⁸ To avoid dilution and to ensure MGG unitholders electing cash are not disadvantaged, the discount is paid by MFG in cash into the fund.



Liquidity of investment

- 137 Existing closed class units in MGG are listed on the ASX. Pursuant to the Scheme, Magellan (as RE of MGF) has advised an intention to seek approval to list the proposed new Closed Class MGF units on the ASX. Therefore, we would not expect any material change in trading in the Closed Class units in MGF (as compared to trading in the existing MGG closed class units) subsequent to implementation of the Scheme.
- 138 As noted in Section III, MGG's unit price has generally traded at a discount to its NAV per unit, which has increased in more recent periods. Pursuant to the proposed entitlement issues discussed below, additional new Closed Class units in MGF will be issued based on the level of unitholder participation in the MGF Partnership Offer. The potential increased liquidity associated with the increased number of Closed Class units on issue is likely to cause the traded discount to NAV to reduce.
- 139 Furthermore, post the Scheme some MGF Open Class unitholders can be expected to arbitrage any price gap between Open Class and Closed Class units, particularly subsequent to the MGF Partnership Offer. This should further reduce any traded discount to NAV.

Underlying investment portfolio

- 140 Magellan (as RE of both MGG and MGF) has advised that the investment funds that comprise the majority of the net assets of MGG (which will effectively be acquired by MGF pursuant to the Scheme) will be merged within MGF on implementation of the Scheme. Whilst MGF and MGG have the same investment objectives, investment philosophy and investment processes, there are certain differences in the MGG investment mandate as compared to the investment mandate of MGF (to which existing MGG closed class unitholders will be subject post the Scheme). These differences primarily relate to the number of stocks in the portfolio, the potential maximum cash weighting and the extent to which foreign currency exposure is hedged (MGF does not hedge).
- 141 Having regard to the nature and extent of these differences, we would not expect there to be any material change in the investment risk profile of existing MGG unitholders subsequent to implementation of the Scheme.

MGF Partnership Offer

- 142 As noted above, should the Proposed Restructure be approved and implemented¹⁹, Magellan (as RE for MGF) intends to provide the following additional benefits to eligible unitholders in the enlarged MGF:
- (a) offer all unitholders (both Open Class and Closed Class) the ability to subscribe for new Closed Class units, and an option for each new Closed Class unit issued (the MGF Partnership Offer)
 - (b) issue bonus options to holders of Closed Class units on the basis of one bonus option for every two Closed Class units held (the Bonus MGF Option issue)²⁰.

¹⁹ In addition to approval from MGG unitholders, the Proposed Restructure also requires the approval of MGF and MGE unitholders.

²⁰ The Bonus MGF Option issue will be for the benefit of MGF Closed Class unitholders only (which may include existing MGG unitholders). Existing MGF and MGE Open Class unitholders will not be eligible for the Bonus MGF Option issue.



- 143 The MGF Partnership Offer will entitle eligible MGF unitholders to subscribe for \$1 of new Closed Class units for every \$4 of MGF units held based on their unit balance at the calculation date²¹, capped at the balance of their unitholding at the Scheme implementation date. The subscription price for the new Closed Class units will be the NAV per Closed Class unit on the business day immediately prior to their allotment. Successful applicants will also receive a benefit in the form of additional Closed Class units worth 7.5% of the amount subscribed²².
- 144 Each option issued under the MGF Partnership Offer and the Bonus MGF Option issue will be exercisable into a Closed Class unit in MGF, with the exercise price set at a 7.5% discount to the prevailing NAV per unit at the time of exercise²³. The options will have a three year term and be exercisable daily, subject to an initial holding period. It is intended that all options be quoted on the ASX.
- 145 Those existing Closed Class MGG unitholders that elect to participate in the MGF Partnership Offer (as Closed Class unitholders in MGF) and receive the MGF Bonus Option issue will therefore receive a financial advantage in the form of both additional Closed Class units in MGF (above the number of units subscribed for), together with bonus options (which will be quoted on the ASX and exercisable at a discount). In the prevailing low interest rate environment, we consider these to be significant financial advantages for those unitholders that participate in the MGF Partnership Offer.
- 146 The MGF Partnership Offer is likely to have an impact on the deferred tax position of existing MGG unitholders dependent on their individual tax position in future years, the level of participation in the MGF Partnership Offer and the length of time unitholders retain their units. These matters cannot be accurately quantified at the current time. However, in our opinion, the impact on existing MGG unitholders of issuing further new units should be marginally positive on the deferred tax position of MGG unitholders.

Costs of the Scheme

- 147 The costs of the Scheme, together with the costs of the Proposed Restructure generally, are to be borne by MFG (the parent company of Magellan, the RE of MGG). Accordingly, there will be no negative impact on the NAV of the existing Closed Class units in MGG pursuant to the operation of the Scheme.

Summary of opinion on the Scheme

- 148 We summarise below the likely advantages and disadvantages for MGG unitholders if the Scheme proceeds.

Advantages

- 149 In our opinion, the Scheme has the following advantages for existing MGG closed class unitholders:
- (a) they will be eligible to participate in the MGF Partnership Offer and the MGF Bonus Option issue and should they choose to do so, they will receive a significant financial

²¹ Expected to be determined in January 2021.

²² Magellan's parent company, MFG, will pay into MGF an amount equal to the cost of these additional units to minimise NAV per unit dilution.

²³ MFG will also pay into MGF an amount equal to the 7.5% discount to minimise NAV per unit dilution.



advantage in the form of both additional Closed Class units in MGF (above the number of units subscribed for), together with bonus options (which will be quoted on the ASX and exercisable at a discount). This financial advantage will be in the form of:

- (i) an immediate increase in the value of a unitholder's investment (based on NAV) of 7.5% of the amount subscribed
 - (ii) an increase of 7.5% in the annual distributions to unitholders on the amount subscribed (noting that this is a "mirror image" of the higher NAV)
 - (iii) three year options offering a further benefit of some 7.5% on further capital able to be subscribed (pursuant to both the MGF Partnership Offer and the MGF Bonus Option issue)
- (b) there will be no associated cost attributable to these financial benefits as the costs of the Scheme, together with the costs of the Proposed Restructure generally, and the costs of the MGF Partnership Offer including the costs of the additional units and options, are to be borne by MFG (the parent company of Magellan, the RE of MGG)
- (c) those MGG closed class unitholders that have previously elected to participate in the distribution reinvestment plan (and continue to do so in the corresponding proposed new MGF plan) will receive an increased financial benefit (higher rate of discount to NAV) compared to the prevailing situation
- (d) the potential increased liquidity associated with the increased number of Closed Class units on issue arising from participation by (the enlarged number of) MGF unitholders in the MGF Partnership Offer, and the potential to arbitrage between Open Class units and Closed Class units, should cause the historical traded discount to NAV at which existing Closed Class units in MGG have traded to reduce
- (e) both the MGF Partnership Offer and the MGF Bonus Option issue provide the potential for a material increase in the number of units on issue without diluting the existing unitholders' equity.

Disadvantages

- 150 As a result of the significant increase in the number of units on issue, the relative voting power of existing MGG closed class unitholders will reduce. However, in the circumstances of the Scheme, we do not consider this to represent a material form of disadvantage. Accordingly, in our opinion, there are no material disadvantages that will accrue to existing MGG closed class unitholders pursuant to implementation of the Scheme.

Conclusion

- 151 Given the above analysis, we consider the acquisition of MGG units under the Scheme is fair and reasonable and in the best interests of MGG unitholders in the absence of a superior proposal (which, in our view, is unlikely).



Appendix A

Financial Services Guide

Lonerган Edwards & Associates Limited

- 1 Lonerган Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and IERs in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to MGG unitholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$70,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.



Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)



Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Wayne Lonergan and Mr Martin Holt, who are each authorised representatives of LEA. Mr Lonergan and Mr Holt have over 45 years and 35 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of Magellan to accompany the Scheme Booklet to be sent to MGG unitholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of MGG unitholders.

Interests

- 4 At the date of this report, neither LEA, Mr Lonergan nor Mr Holt have any interest in the outcome of the Scheme or the Proposed Restructure. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Magellan agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of MGG which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

Glossary

Term	Meaning
AFCA	Australian Financial Complaints Authority
Agreement	Scheme Implementation Deed between Magellan as RE of MGG and Magellan as RE of MGF
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Bonus MGF Option issue	Bonus options to be issued to holders of MGF Closed Class units on a 1-for-2 basis
Closed Class	Closed ended units in MGF post the implementation of the Scheme
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Corporations Regulations	<i>Corporations Regulations 2001</i>
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
FSG	Financial Services Guide
FY	Financial year
GST	Goods and services tax
IER	Independent expert's report
LEA	Loneragan Edwards & Associates Limited
Magellan	Magellan Asset Management Limited
MFG	Magellan Financial Group Limited
MGE	Magellan Global Equities Fund
MGF	Magellan Global Fund
MGF Partnership Offer	MGF unitholders post the implementation of the Scheme will be offered the ability to subscribe for new MGF Closed Class units and an option for each new MGF Closed Class unit issued
MGG	Magellan Global Trust
NAV	Net asset value
Open Class	Open ended units in MGF post the implementation of the Scheme
Proposed Restructure	The consolidation of MGE, MGG and MGF into a single fund
RE	Responsible entity
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Scheme	Trust scheme of arrangement between MGE and its unitholders
Scheme Consideration	Open Class units in MGF in exchange for existing MGE open class units held
TPGN 15	Takeovers Panel Guidance Note 15 – <i>Trust scheme mergers</i>
UK	United Kingdom
US	United States of America
USD	US dollars
WANON	Weighted average number of units outstanding

Magellan Asset Management Limited as responsible entity of the Magellan Global Fund

Scheme Deed Poll (MGG)

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Allens is an independent partnership operating in alliance with Linklaters LLP.

Scheme Deed Poll

[Allens & Linklaters](#)

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Scheme Deed Poll

Allens & Linklaters

This Deed Poll is made on 14 October 2020

By

Magellan Asset Management Limited (ACN 120 593 946) as responsible entity of the Magellan Global Fund (ARSN 126 366 961) of MLC Centre, Level 36, 19 Martin Place, Sydney NSW 2000 (**MGF RE**).

In favour of each Scheme Unitholder

Recitals

- A MGF RE and Magellan Asset Management Limited as responsible entity of the Magellan Global Trust (ARSN 620 753 728) (the **Target RE**) have entered into an implementation deed dated 2 August 2020 (the **Implementation Deed**).
- B The Target RE has agreed in the Implementation Deed to propose the Scheme, pursuant to which, subject to the satisfaction or waiver of certain conditions precedent, MGF RE will acquire all the Scheme Units from the Scheme Unitholders for the Scheme Consideration.
- C In accordance with the Implementation Deed, MGF RE is entering into this Deed Poll for the purpose of covenanting in favour of the Scheme Unitholders that it will observe and perform the obligations contemplated of it under the Scheme.

It is agreed as follows.

1 Definitions and Interpretation

1.1 Definitions

Terms defined in the Implementation Deed have the same meaning in this Deed Poll, unless the context requires otherwise.

1.2 Interpretation

The provisions of clause 1.2 of the Implementation Deed form part of this Deed Poll as if set out in full in this Deed Poll, and on the basis that references to 'this Deed' and 'this document' in that clause are references to 'this Deed Poll' and clause references are amended as applicable.

2 Nature of Deed Poll

MGF RE acknowledges that:

- (a) this Deed Poll may be relied on and enforced by any Scheme Unitholder in accordance with its terms, even though the Scheme Unitholders are not party to it; and
- (b) under the Scheme, each Scheme Unitholder appoints the Target RE and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this Deed Poll against MGF RE on behalf of that Scheme Unitholder.

3 Conditions Precedent and Termination

3.1 Conditions precedent

MGF RE's obligations under this Deed Poll are subject to the Scheme becoming Effective.

3.2 Termination

If the Implementation Deed is terminated before the Effective Date or the Scheme does not become Effective on or before the End Date, the obligations of MGF RE under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect, unless the Target RE and MGF RE otherwise agree in accordance with the Implementation Deed.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) MGF RE is released from its obligations under this Deed Poll, except those obligations under clause 8.6; and
- (b) each Scheme Unitholder retains any rights, powers or remedies that the Scheme Unitholder has against MGF RE in respect of any breach of its obligations under this Deed Poll that occurred before termination of this Deed Poll.

4 Compliance with Scheme Obligations

4.1 Obligations of MGF RE

Subject to clause 3, in consideration for the transfer to MGF RE of the Scheme Units in accordance with the Scheme, MGF RE covenants in favour of each Scheme Unitholder that it will observe and perform all obligations contemplated of it under the Scheme, including the obligations relating to the provision of the Scheme Consideration in accordance with the terms of the Scheme.

4.2 Undertaking to issue the Scheme Consideration

On the Implementation Date, MGF RE undertakes in favour of each Scheme Unitholder to provide, or procure the provision of, the Scheme Consideration to each Scheme Unitholder in accordance with the terms of the Scheme.

4.3 Scheme Consideration to rank equally

MGF RE covenants in favour of each Scheme Unitholder that the Closed Class Units issued as Scheme Consideration will:

- (a) have the rights set out in the MGF Constitution;
- (b) rank equally in all respects among themselves; and
- (c) be fully paid and free from any Encumbrance.

4.4 General warranties

MGF RE represents and warrants in favour of each Scheme Unitholder that:

- (a) it is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise the entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll;
- (d) this Deed Poll is its valid and binding obligation enforceable in accordance with its terms;
- (e) the execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll did not and will not violate in any respect a provision of:

Scheme Deed Poll

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- (i) a law or treaty or a judgment, ruling, order or decree binding on it or any of its Controlled Entities;
- (ii) the MGF Constitution; or
- (iii) any other document or agreement that is binding on it or any of its Controlled Entities;
- (f) neither it nor MGF is Insolvent;
- (g) MGF has been duly established and has not been terminated and is a registered managed investment scheme;
- (h) it is the responsible entity of MGF and no action has been taken or proposed to remove it as responsible entity of MGF;
- (i) no action has been taken or proposed to, either:
 - (i) terminate MGF; or
 - (ii) wind-up MGF, whether under Chapter 5C of the Corporations Act or otherwise;
- (j) it has the authorisations necessary for it to enter into the documents to which it is a party, perform obligations under them and allow them to be enforced (including any authorisation required under the MGF Constitution (if any));
- (k) entry into the documents to which it is a party is a valid exercise of its powers under the MGF Constitution for the benefit of the MGF Unitholders; and
- (l) it has a right, in accordance with the terms of the MGF Constitution, to be fully indemnified out of the property of MGF in respect of obligations incurred by it under the documents to which it is a party, and, to the best of its knowledge and after reasonable and due enquiry, it is not aware of anything that would prevent it from being fully indemnified out of the property of MGF, in accordance with the terms of the MGF Constitution, for any obligations under or in connection with this Deed Poll, or any of the transactions contemplated by this Deed Poll.

5 Limited liability of MGF RE

- (a) MGF RE enters into this Deed Poll only in its capacity as trustee of MGF and in no other capacity. A liability arising under or in connection with this Deed Poll is limited to and can be enforced against MGF RE only to the extent to which it can be satisfied out of the assets out of which MGF RE is entitled to be indemnified for the liability. This limitation of MGF RE's liability applies despite any other provision of this Deed Poll and extends to all liabilities and obligations of MGF RE in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this Deed Poll.
- (b) A Scheme Unitholder may not sue MGF RE under or in respect of this Deed Poll in any capacity other than as trustee of MGF, including the appointment of a receiver (except in relation to property of MGF), a liquidator, an administrator or any similar person to MGF RE or prove in any liquidation, administration or arrangement of or affecting MGF RE (except in relation to assets of MGF).
- (c) MGF RE does not have to incur any obligation under this Deed Poll unless its liability in respect of that obligation is limited in the same manner as in this clause 5.
- (d) The provisions of this clause 5 shall not apply to any obligation or liability of MGF RE to the extent that it is not satisfied because under the MGF Constitution by operation of applicable law there is a reduction in the extent of MGF RE's indemnification out of the assets of MGF, as a result of MGF RE's fraud, negligence or breach of trust.

6 Continuing Obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) MGF RE having fully performed its obligations under this Deed Poll; and
- (b) termination of this Deed Poll under clause 3.

7 Further Assurances

MGF RE will, on its own behalf and, to the extent authorised by the Scheme, on behalf of each Scheme Unitholder, do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

8 General

8.1 Notices

Any notice, demand, consent or other communication to MGF RE (a **Notice**) given or made under this Deed Poll:

- (a) must be in writing and signed by the sender or a person duly authorised by the sender;
- (b) must be delivered to MGF RE by email to the email address below or the email address last notified by MGF RE recipient to the sender:
legal@magellangroup.com.au
- (c) will be conclusively taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered; and
 - (ii) in the case of email, on the earlier of:
 - (A) when the sender receives an automated message from the email system of the intended recipient confirming delivery; and
 - (B) three hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, within that three hour period, an automated message that the email has not been delivered,

but if the result is that a Notice would be taken to be given or made on a day that is not a Business Day in the place to which the Notice is sent or at a time that is later than 5.00pm in the place to which the Notice is sent, it will be conclusively taken to have been duly given or made at the start of business on the next Business Day in that place.

8.2 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by MGF RE or by any Scheme Unitholder operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing and signed by the party granting the waiver.

8.3 Remedies cumulative

The rights, powers and remedies of MGF RE and of each Scheme Unitholder under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

8.4 Amendment

No amendment or variation of this Deed Poll is valid or binding unless either:

- (a) before the Second Court Date, the amendment or variation is agreed to in writing by the Target RE and MGF RE (which such agreement may be given or withheld without reference to or approval by any Scheme Unitholder); or
- (b) on or after the Second Court Date, the amendment or variation is agreed to in writing by the Target RE and MGF RE (which such agreement may be given or withheld without reference to or approval by any Scheme Unitholder), and is approved by the Court.

8.5 Assignment

The rights and obligations of MGF RE and of each Scheme Unitholder under this Deed Poll are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior consent of MGF RE and the Target RE.

8.6 Costs and duty

MGF RE (or a MGF Group Member) shall bear all costs arising out of the negotiation, preparation and execution of this Deed Poll. All duty (including stamp duty and any fines, penalties and interest) payable on or in connection with this Deed Poll and any instrument executed under or any transaction evidenced by this Deed Poll must be borne by MGF RE (or a MGF Group Member). MGF RE (or a MGF Group Member) must indemnify each Scheme Unitholder on demand against any liability for that duty (including any related fines, penalties and interest).

8.7 Governing law and jurisdiction

This Deed Poll is governed by the laws of New South Wales. Each party must submit to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this Deed Poll.


Schedule 3 Deed Poll

Scheme Deed Poll

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Executed and delivered as a Deed Poll


Executed in accordance with section 127 of the *Corporations Act 2001* (Cth) by **Magellan Asset Management Limited** as responsible entity for the **Magellan Global Fund**:



Director Signature

Robert Fraser

Print Name



Director Signature

Brett Cairns

Print Name



Magellan Global Trust (ARSN 620 753 728)

Supplemental Deed Poll

Amending the Constitution for the Magellan Global Trust

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Schedule 4 Supplemental Deed Poll

Supplemental Deed Poll

Allens & Linklaters

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Schedule 4 Supplemental Deed Poll

Supplemental Deed Poll

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This Deed is made on **2020**

Parties

Magellan Asset Management Limited (ACN 120 593 946) as responsible entity of the Magellan Global Trust (ARSN 620 753 728) of MLC Centre, Level 36, 19 Martin Place, Sydney NSW 2000 (the **Responsible Entity**).

Recitals

- A The Responsible Entity is the responsible entity of the trust known as the Magellan Global Trust (ARSN 620 753 728) (the **Trust**).
- B The Trust is registered under section 601EB of the *Corporations Act 2001* (Cth) (the **Corporations Act**) as a managed investment scheme.
- C Clause 40 of the Constitution provides that, subject to the Corporations Act, the Responsible Entity may amend the Constitution by deed or as otherwise permitted by the Corporations Act.
- D The Responsible Entity amends the Constitution to the extent set out in this Supplemental Deed Poll and reasonably considers such amendments will not adversely affect the Unit Holders' rights.
- E In accordance with section 601GC(2) of the Corporations Act, the amendments to the Constitution set out in this Supplemental Deed Poll do not take effect until a copy has been lodged with the Australian Securities and Investments Commission (**ASIC**).

It is declared as follows.

1 Definitions and Interpretation

1.1 Definitions

In this Supplemental Deed Poll including the Recitals, the following definitions apply unless the context otherwise requires.

Constitution means the constitution constituting the Trust dated 28 July 2017, as amended from time to time, including by supplemental deeds dated 10 October 2017, 7 March 2018 and 4 March 2019.

Effective Date means the date and time on which a copy of this Supplemental Deed Poll is lodged with ASIC under section 601GC(2) of the Corporations Act.

Unit Holder means a person registered as a holder of units in the Trust (including persons registered jointly).

1.2 Interpretation

- (a) Terms used but not defined in this Supplemental Deed Poll have the same meanings given to them in the Constitution.
- (b) Clauses 1.2 and 1.3 of the Constitution apply to this Supplemental Deed Poll as if set out in this Supplemental Deed Poll.

1.3 Benefit of this Supplemental Deed Poll

This Supplemental Deed Poll is made by the Responsible Entity so that it shall enure to the benefit of Unit Holders jointly and severally.

Schedule 4 Supplemental Deed Poll

Supplemental Deed Poll

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2 Amendment of Constitution

The Responsible Entity amends the Constitution so that, on and from the Effective Date, the Constitution is amended as set out in the schedule.

3 No Resettlement

The Responsible Entity confirms that it is not by this Supplemental Deed Poll intending to:

- (a) settle or redeclare the Trust declared under the Constitution; or
- (b) cause the transfer, vesting or accruing of any property comprising the assets of the Trust in any person.

4 Governing Law and Jurisdiction

This Supplemental Deed Poll is governed by the laws of New South Wales, Australia.

Schedule 4 Supplemental Deed Poll

Supplemental Deed Poll

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Executed and delivered as a Deed in Sydney.

Executed in accordance with section 127 of the *Corporations Act 2001* by Magellan Asset Management Limited as responsible entity for the **Magellan Global Trust**:

Director Signature

Director/Secretary Signature

Print Name

Print Name

Schedule 1

Amendments to the Constitution of Magellan Global Trust

Clause 21.2 Management Fee

Clause 21.2 shall be amended by inserting the following words at the end of the clause:

or otherwise payable at such other times as the Responsible Entity in its discretion may determine.

Clause 21.3(d)(ii)

Delete clause 21.3(d)(ii) and replace it with:

in respect of all other Calculation Periods, each half year period ending on 30 June or 31 December (as the case may be), except where:

- (1) the Trust is terminated;
- (2) the Trust is wound up;
- (3) the Responsible Entity is removed as the responsible entity of the Trust, or
- (4) there is an Effective Date (as defined in clause 47.1)

in any such case the Calculation Period will end on the date that an event contemplated under subparagraphs (1)-(4) occurs.

Clauses 47 and 48

Insert the following clauses after clause 46:

47 Definitions and Interpretation

47.1 Definitions

Unless the context requires otherwise, the following definitions apply in clauses 47 and 48.

CHESS has the meaning given in the Listing Rules.

Closed Class Unit means a 'Closed Class Unit' in MGF as that term is defined in the constitution of MGF.

Closed Class Unit Consideration means Scheme Consideration comprising Closed Class Units in MGF as calculated under clause 48.9.

Court means the Supreme Court of New South Wales, or such other court as the Responsible Entity determines.

Deed Poll means the deed poll dated 14 October 2020 executed by MGF RE under which it covenants in favour of each Scheme Participant to perform its obligations under the Scheme.

Effective Date means the date on and time at which the supplemental deed making amendments to this constitution to facilitate the Scheme takes effect pursuant to section 601GC(2) of the Corporations Act.

Encumbrance means any mortgage, charge, lien, pledge, trust, power or title retention, flawed deposit arrangement, 'security interest' as defined in sections 12(1) or (2) of the *Personal Property Securities Act 2009* (Cth), or interest of a third party of any kind, whether legal or otherwise, or any agreement to create any of them or allowing them to exist.

Exchange Ratio has the meaning given in clause 48.9(b).

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Foreign Holder Units means Closed Class Unit Consideration referable to Ineligible Foreign Holders calculated in accordance with clause 48.9.

Government Agency means a government or a governmental, semi-governmental or judicial entity or authority.

Implementation Date means the 5th Business Day following the Record Date or such other date as is agreed in writing by the parties to the Implementation Deed.

Implementation Deed means the implementation deed dated 2 August 2020 between the Responsible Entity and MGF RE under which, among other things, the Responsible Entity has agreed to propose the Scheme to Holders, and each of the Responsible Entity and MGF RE have agreed to take certain steps to give effect to the Scheme.

Ineligible Foreign Holder means a Scheme Participant whose address shown in the Register on the Record Date is a place outside Australia and its external territories and New Zealand, unless MGF RE determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Participant with interests in MGF under the Scheme.

MFG means Magellan Financial Group Limited (ACN 108 437 592).

MGF means Magellan Global Fund (ARSN 126 366 961).

MGF Custodian means Northern Trust Company (Australian branch), or such other person as MGF RE may appoint as custodian of MGF from time to time.

MGF RE means Magellan Asset Management Limited (ABN 31 120 593 946) in its capacity as responsible entity of MGF.

MGF Registry means Mainstream Fund Services Pty Limited or such other person appointed by MGF RE to maintain the unit register of MGF.

Record Date means 7:00 pm on the 2nd Business Day following the Effective Date or such other date as agreed in writing by the parties to the Implementation Deed.

Registered Address means, in relation to a Holder, the address shown in the Register.

Registry means the person appointed by the Responsible Entity to maintain the Register.

Regulatory Authority includes:

- (a) ASX;
- (b) ASIC;
- (c) Australian Taxation Office;
- (d) a government or governmental, semi-governmental or judicial entity or authority;
- (e) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (f) any regulatory organisation established under statute.

Sale Agent means an entity or the entities appointed by MGF RE to sell the Foreign Holder Units pursuant to clause 48.12.

Sale Facility means the facility provided for in clause 48.12.

Sale Proceeds has the meaning given in clause 48.12(c)(ii).

Scheme means the arrangement under which MGF RE acquires all of the Scheme Units facilitated by amendments to this constitution.

Scheme Consideration means in respect of each Scheme Unitholder, such number of Closed Class Units calculated using the following formula:

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Number of Closed Class Units = Exchange Ratio x Number of Scheme Unitholder's Scheme Units

Scheme Holder Custodian means a Scheme Participant that holds one or more parcels of Scheme Units as trustee, custodian or nominee for, or otherwise on account of, another person.

Scheme Meeting means the meeting of Holders held on 25 November 2020 for the purposes of, among other things, voting on the Scheme Resolutions.

Scheme Participant means a person registered in the Register as a holder of one or more Scheme Units as at the Record Date.

Scheme Resolutions means the resolutions of Holders to approve the Scheme being:

- (a) a special resolution to approve amendments to this constitution to facilitate the implementation of the Scheme;
- (b) an ordinary resolution to approve the Scheme pursuant to Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act); and
- (c) an ordinary resolution for the purpose of item 7 of section 611 of the Corporations Act to approve the acquisition of all of the Scheme Units by MGF RE.

Scheme Unit means a Unit on issue as at the Record Date.

Separate Parcel means each:

- (a) parcel of Scheme Units held by a Scheme Holder Custodian as trustee, custodian or nominee for, or otherwise on account of, another person; and
- (b) parcel of Scheme Units held by the Scheme Holder Custodian in its own right.

Transfer Form means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Units held by that Scheme Participant, which may be a master transfer of all Scheme Units.

47.2 Inconsistency

In clause 47 and 48, defined terms in clause 47.1 apply to the exclusion of definitions or principles in the remainder of this constitution, to the extent of any inconsistency.

47.3 Cessation of operation

Clauses 47 and 48 cease to have any force or operation if either of the Implementation Deed or Deed Poll is terminated in accordance with its terms.

47.4 References to conduct of MGF RE

A reference to MGF RE doing or not doing something under clause 48 is a reference to the Responsible Entity procuring that MGF RE does or does not do that thing, unless the context requires otherwise.

48 Scheme

48.1 Implementation of the Scheme

- (a) Each Scheme Participant and the Responsible Entity must do all things and execute all deeds, instruments, transfers or other documents as the Responsible Entity consider are necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it.

- (b) Without limiting the Responsible Entity's other powers under this clause 48, the Responsible Entity has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Implementation Deed.
- (c) Each of the Responsible Entity and MGF RE may do anything that it is permitted to do under this clause 48, and may execute all deeds, instruments, transfers or other documents as the Responsible Entity or MGF RE considers necessary or desirable to do anything that it is permitted to do under this clause 48.
- (d) Subject to the Corporations Act, the Responsible Entity and MGF RE or any of their respective directors, officers, employees or associates, may do any act, matter or thing described in or contemplated by this clause 48 even if they have an interest (financial or otherwise) in the outcome.
- (e) Each of clause 47 and this clause 48:
 - (i) binds the Responsible Entity and all of the Scheme Participants (including those who do not attend the Scheme Meeting, those who do not vote at the Scheme Meeting and those who vote against the Scheme Resolutions); and
 - (ii) to the extent of any inconsistency, overrides the other provisions of this constitution (but, for the avoidance of doubt, remains subject to the Corporations Act and the Listing Rules.

48.2 Transfer and registration of Scheme Units

On the Implementation Date:

- (a) Subject to, and after, the provision of the Scheme Consideration in the manner contemplated by clause 48.11, the Scheme Units, together with all rights and entitlements attaching to the Scheme Units, must be transferred to MGF RE (or MGF Custodian) without the need for any further act by any Scheme Participant (other than acts performed by the Responsible Entity as attorney and agent for Scheme Participants under clause 48.23) by:
 - (i) the delivery to MGF RE of a duly completed and executed Transfer Form executed on behalf of the Scheme Participants; and
 - (ii) MGF RE (or MGF Custodian) duly executing the Transfer Forms and delivering them for registration; and
- (b) as soon as practicable after receipt of the duly executed Transfer Forms, the Responsible Entity must enter, or procure the entry of, the name of MGF RE (or MGF Custodian) in the Register in respect of all Scheme Units transferred to MGF RE (or MGF Custodian) in accordance with the terms of the Scheme.

48.3 Entitlement to receive Scheme Consideration

On the Implementation Date, in consideration for the transfer to MGF RE (or MGF Custodian) of the Scheme Units, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Units in accordance with clauses 48.9, 48.10, 48.11, 48.12 and 48.13.

48.4 Title and rights in Scheme Units

Subject to the provision of the Scheme Consideration for the Scheme Units, MGF RE will be beneficially entitled to the Scheme Units transferred to it under the Scheme, pending its registration in the Register as the holder of Scheme Units.

48.5 Scheme Participants' agreements

Under the Scheme, each Scheme Participant irrevocably:

- (a) acknowledges that clauses 47 and 48 bind the Responsible Entity and all of the Scheme Participants from time to time (including those who do not attend the Scheme Meeting, do not vote at the Scheme Meeting or vote against the Scheme Resolutions);
- (b) agrees to the transfer of their Scheme Units, together with all rights and entitlements attaching to those Scheme Units, in accordance with the terms of the Scheme; agrees to any variation, cancellation or modification of the rights attached to their Scheme Units constituted by or resulting from the Scheme;
- (c) agrees to provide the Responsible Entity with any information as it, or the MGF RE, may reasonably require to comply with any law in respect of the Scheme and the transactions contemplated in this clause 48, including information required to comply with laws relating to anti-money laundering; and
- (d) consents to the Responsible Entity and MGF RE doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to this clause 48 and the transactions contemplated by it, subject to the Scheme Participant's ability to revoke or amend consents in accordance with clause 48.22.

48.6 Warranty by Scheme Participants

Each Scheme Participant warrants to MGF RE that:

- (a) all their Scheme Units (including any rights and entitlements attaching to those units) transferred to MGF RE (or MGF Custodian) under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and
- (b) they have the full power and capacity to sell and to transfer their Scheme Units (including any rights and entitlements attaching to those units) to MGF RE (or MGF Custodian) under the Scheme.

48.7 Transfer free of Encumbrances

To the extent permitted by law, all Scheme Units (including any rights and entitlements attaching to those units) which are transferred to MGF RE (or MGF Custodian) under the Scheme will, at the date of the transfer of them to MGF RE (or MGF Custodian), vest in MGF RE (or MGF Custodian) free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in the Scheme.

48.8 Appointment of MGF RE as sole proxy

Subject to the provision of the Scheme Consideration for the Scheme Units in accordance with clause 48.11, on and from the Implementation Date until MGF RE or MGF Custodian is registered as the holder of all of the Scheme Units in the Register, each Scheme Participant:

- (a) irrevocably appoints the Responsible Entity as attorney and agent (and directs the Responsible Entity in such capacity) to appoint MGF RE and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable corporate representative, to attend Holders' meetings, exercise the votes attaching to Units registered in its name and sign any Holders' resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 48.8); and

- (b) must take all other actions in the capacity of the registered holder of Units as MGF RE directs.

The Responsible Entity undertakes in favour of each Scheme Participant that it will appoint MGF RE and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy, or where applicable, corporate representative in accordance with this clause 48.8.

48.9 Scheme Consideration

- (a) **(Consideration to be provided)** The Scheme Consideration to be provided to each Scheme Participant (having regard to clause 48.10) will be:
 - (i) if paragraph (ii) does not apply, the number of Closed Class Units calculated in accordance with clause 48.9(b) on the Record Date; and
 - (ii) if the Scheme Participant is an Ineligible Foreign Holder, a proportion of the Sale Proceeds in accordance with clause 48.12, derived from the sale of the number of Foreign Holder Units referable to the Ineligible Foreign Holder as calculated in accordance with clause 48.9(b).
- (b) **(Calculation of the number of Closed Class Units)** The number of Closed Class Units to be issued to a Scheme Participant (or, in relation to Ineligible Foreign Holders, to the Sale Agent) will be calculated as follows:

$$\text{Number of Closed Class Units} = \text{Exchange Ratio} \times \text{Number of Scheme Participant's Scheme Units}$$

Where:

Exchange NAV means an amount equal to the NAV per Unit of the Trust as at the Effective Date.

Exchange Ratio means Trust NAV/Exchange NAV.

Trust NAV means the NAV per Unit of the Trust on the Effective Date.

Number of Scheme Participant's Scheme Units means the number of Scheme Units held by the Scheme Participant at the Effective Date.

- (c) **(Fractional entitlements)** Where the calculation of the number of Closed Class Units to be issued to a Scheme Participant would result in the issue of a fraction of a Closed Class Unit, issued then the fractional entitlement will be rounded to the nearest whole number of Closed Class Units, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number.

48.10 Treatment of Separate Parcels held by Scheme Holder Custodians

For the purpose of implementing the Scheme (including for the purposes of calculating the Scheme Consideration, and the treatment of fractional entitlements, each Separate Parcel held by a Scheme Holder Custodian will be treated as though it were held by a separate Scheme Participant (except if it relates to an Ineligible Foreign Holder).

48.11 Provision of Scheme Consideration

- (a) Subject to clauses 48.12(b) and 48.13, the obligation of MGF RE to issue or procure the issue of Scheme Consideration to each Scheme Participant (other than Ineligible Foreign Holders) will be satisfied by MGF RE, the Implementation Date.
 - (i) issuing:

- (A) to each Scheme Participant (other than Ineligible Foreign Holders) the number and class of Closed Class Units determined in accordance with clause 48.9(b); and
- (B) to the Sale Agent the number of Foreign Holder Units referable to all Ineligible Foreign Holders determined in accordance with clause 48.9(b); and
- (ii) entering each Scheme Participant (other than Ineligible Foreign Holders) and the Sale Agent as holders of those Closed Class Units in the unit register of MGF.
- (b) MGF RE must procure that, on or before the date 5 Business Days after the Implementation Date, a securities certificate, holding statement or allotment confirmation advice is sent to each Scheme Participant (other than Ineligible Foreign Holders) at their Registered Address, that sets out the number of Closed Class Units issued to the Scheme Participant pursuant to the Scheme.

48.12 Sale Facility

- (a) MGF RE must not issue any Closed Class Units to an Ineligible Foreign Holder.
- (b) Instead, any entitlement that an Ineligible Foreign Holder would otherwise have to be issued Closed Class Units will be satisfied by MGF RE, on the Implementation Date, issuing the Foreign Holder Units to the Sale Agent, and entering the Sale Agent on the unit the register of MGF accordingly.
- (c) MGF RE must procure that within 20 Business Days after the Implementation Date, the Sale Agent:
 - (i) sells the Foreign Holder Units issued to it (which may be on an aggregated or partially aggregated basis), in the ordinary course of trading on the ASX, and at the risk of the Ineligible Foreign Holders; and
 - (ii) remits to MGF Registry the proceeds of the sale after deduction of any applicable brokerage, stamp duty, taxes, duty or other costs and charges (the **Sale Proceeds**).
- (d) MGF RE must procure that, as soon as possible after the Implementation Date and in any event within 5 Business Days after receiving the Sale Proceeds, MGF Registry pays (or procures payment) to each Ineligible Foreign Holder, in full satisfaction of MGF RE's obligations to them under the Scheme, an amount calculated as follows:

$$\text{Amount Due} = \frac{\text{Relevant Foreign Holder Units}}{\text{Total Foreign Holder Units}} \times \text{Sale Proceeds}$$

Where:

Amount Due means the amount to be paid to the Ineligible Foreign Holder

Relevant Foreign Holder Units means the number of Foreign Holder Units attributable to, and that would otherwise have been issued to, that Ineligible Foreign Holder had it not been an Ineligible Foreign Holder

Total Foreign Holder Units means the total number of Foreign Holder Units issued to the Sale Agent

Sale Proceeds is as defined in clause 48.12(c)(ii).

The Amount Due must be rounded down to the nearest cent.

- (e) The obligation to pay the Amount Due to an Ineligible Foreign Holder under clause 48.12(d) will be satisfied by (at the discretion of MGF RE):
 - (i) if the Ineligible Foreign Holder has, before the Record Date, made a valid election in accordance with the requirements of the Responsible Entity and the Registry to receive distribution payments from the Responsible Entity by electronic funds transfer to a bank account nominated by the Ineligible Foreign Holder, paying (or procuring payment) of the Amount Due in the same manner as that election;
 - (ii) otherwise, whether or not the Ineligible Foreign Holder has made an election referred to in clause 48.12(e)(i), by despatching by pre-paid post a cheque for the Amount Due made out to the Ineligible Foreign Holder to its Registered Address as at the Record Date.
- (f) None of the Responsible Entity, MGF RE or the Sale Agent gives any assurance as to the price that will be achieved for the sale of Foreign Holder Units and the sale of those units will be at the risk of the Ineligible Foreign Holder.
- (g) Each Ineligible Foreign Holder appoints MGF RE as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required by law to provide to the Ineligible Foreign Holder.

48.13 Joint Holders

In the case of Scheme Participants that hold Scheme Units in joint names:

- (a) any document required to be sent under the Scheme, will be forwarded to either, at the sole discretion of the Responsible Entity, the Holder whose name appears first in the Register as at the Record Date or to the joint Holders;
- (b) any Closed Class Units to be issued under the Scheme will be issued to the same joint holders; and
- (c) any amount of Sale Proceeds to be paid to an Ineligible Foreign Holder:
 - (i) by way of cheque, the cheque will be made payable to the joint Holders and will be sent either, at the sole discretion of MGF RE, to the Holder whose name appears first in the Register as at the Record Date or to the joint Holders; or
 - (ii) by way of electronic funds transfer, the proceeds may be paid either, at the sole discretion of MGF RE, to the account of the Holder whose name appears first in the Register as at the Record Date or to either of the account(s) nominated by the joint Holders.

48.14 Unclaimed monies

- (a) MGF RE may cancel a cheque issued under this clause 48 if the cheque:
 - (i) is returned to MGF RE; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Participant to MGF RE (or MGF Registry) MGF RE must reissue a cheque that was previously cancelled under this clause 48.14.

- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any amount payable to a Scheme Participant under the Scheme which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

48.15 Orders of a court or Regulatory Authority

- (a) Notwithstanding anything else in this clause 48, MGF RE may deduct and withhold from any consideration which would otherwise be payable by MGF RE to a Scheme Participant in accordance with this clause 48, any amount that it determines is required to be so deducted and withheld from that consideration under any applicable law, including any order, direction or notice made or given by a court of competent jurisdiction or by another Regulatory Authority.
- (b) To the extent that amounts are so deducted or withheld, such deducted or withheld amounts will be treated for all purposes under the Scheme as having been paid to the Scheme Participant in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate taxation office or other Regulatory Authority.
- (c) If requested in writing by the Scheme Participant, MGF RE must provide a receipt or other appropriate evidence of such payment to the taxation office or other Regulatory Authority.
- (d) If written notice is given to MGF RE (or the Registry or MGF Registry) of an order, direction or notice made or given by a court of competent jurisdiction or by another Regulatory Authority that requires that Scheme Consideration that would otherwise be provided to a Scheme Participant by MGF RE in accordance with this clause 48, must instead be paid or provided to a Regulatory Authority or other third party (either by payment of money or the issuance of Closed Class Units), then:
 - (i) MGF RE is entitled to pay the relevant money or issue the relevant Closed Class Units in accordance with that order, direction or notice; and
 - (ii) doing so will be treated for all purposes under the Scheme as having been paid or provided to that Scheme Participant.
- (e) If written notice is given to MGF RE (or the Registry or MGF Registry) of an order, direction or notice made or given by a court of competent jurisdiction or by another Regulatory Authority that prevents MGF RE from providing consideration to a particular Scheme Participant in accordance with this clause 48, or if the payment or provision of any Scheme Consideration to a particular Scheme Participant is otherwise prohibited by applicable law, MGF RE will be entitled to (as applicable):
 - (i) refrain from issuing any Closed Class Units that would otherwise be issued to the Scheme Participant; or
 - (ii) refrain from remitting any Sale Proceeds that would otherwise be payable to the Scheme Participant,until such time as the issue of Closed Class Units or the of Sale Proceeds (as applicable) in accordance with this clause 48 is permitted by that order or direction or otherwise by law.

48.16 Determination of Scheme Units

To establish the identity of the Scheme Participants, dealings in Scheme Units will only be recognised by the Responsible Entity if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Units on or before the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before the Record Date at the place where the Register is kept.

The Responsible Entity will register any registrable transmission applications or transfers in registrable form received as described in clause 48.16(b) on or before the Record Date.

48.17 No disposals after Effective Date

- (a) A Holder of Scheme Units (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Units or any interest in them after the Effective Date in any way except as set out in the Scheme and any such disposal will be void and of no legal effect whatsoever.
- (b) The Responsible Entity will not accept for registration, or recognise for any purpose, any transmission, application or transfer in respect of the Scheme Units received after the Record Date (except a transfer to MGF RE or MGF Custodian pursuant to the Scheme or any subsequent transfer by them or their successors in title).

48.18 Maintenance of Register

For the purpose of determining entitlements to the Scheme Consideration, the Responsible Entity will maintain the Register in accordance with the provisions of this constitution including this clause 48, until the Scheme Consideration has been provided to the Scheme Participants and MGF RE or MGF Custodian has been entered in the Register as the holder of all the Scheme Units. The Register in this form will solely determine entitlements to the Scheme Consideration.

48.19 Effect of certificates (if any) and holding statements

Subject to provision of the Scheme Consideration and registration of the transfer of all of the Scheme Units to MGF RE or MGF Custodian contemplated in clauses 48.2 and 48.18, any statements of holding in respect of Scheme Units will cease to have effect after the Record Date as documents of title in respect of those units (other than those in favour of MGF RE, MGF Custodian or their successors in title). After the Record Date, each entry current on the Register as at the Record Date (other than entries in respect of MGF RE, MGF Custodian or their successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

48.20 Suspension of trading

Suspension of trading in Units on the ASX will occur from the close of trading on the ASX on the Effective Date.

48.21 Termination of quotation of Units on ASX

After the Scheme has been implemented, the Responsible Entity will apply:

- (a) for termination of the official quotation of Units on the ASX; and
- (b) to have the Trust removed from the official list of the ASX.

48.22 Instructions and elections to be applied to Closed Class Units

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications, consents or elections by each Scheme Participant to the Responsible Entity binding or deemed binding between the Scheme Participant

and the Responsible Entity relating to the Trust or the Scheme Units, including instructions, notifications, consents or elections relating to:

- (a) the disclosure of the Scheme Participant's personal information (including tax file numbers and tax file number information, each as defined under the *Privacy Act 1988* (Cth) and information referred to in clause 48.22(b)) to, or collection of such personal information by, MGF RE;
- (b) the disclosure information pertaining to the Scheme Participant to Australian or foreign Government Agencies, including under the *Foreign Account Tax Compliance Act* of the United States of America and the Common Reporting Standard under the *Tax Laws Amendment (Implementation of the Common Reporting Standard) Act 2016* (Cth);
- (c) whether distributions or dividends are to be paid by cheque or into a specific account;
- (d) currency elections;
- (e) participation in distribution reinvestment plans; and
- (f) the receipt of notices or other communications from the Responsible Entity (including by email or other electronic platform),

will be deemed from the Implementation Date (except to the extent determined otherwise by MGF RE in its sole discretion), by reason of this Scheme, to be made by the Scheme Participant to be made in relation to MGF, and to be a binding instruction, notification, consent or election to, and accepted by, MGF RE in relation to any Closed Class Units held by the Scheme Participant, until that instruction, notification or election is revoked or amended in writing to MGF RE or MGF Registry and actually received by it. An election to participate in a distribution reinvestment plan in respect of Scheme Units will be treated as an election to participate in a distribution reinvestment plan in respect of Closed Class Units.

48.23 Power of Attorney

Each Scheme Participant, without the need for any further act by the Scheme Participant, irrevocably appoints the Responsible Entity and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

- (a) executing any document necessary or expedient to give effect to the Scheme including:
 - (i) executing any Transfer Forms or any other document relating to the transfer of the Scheme Units under the Scheme;
 - (ii) applying for units in (and agreeing to become a member or unitholder of) MGF;
 - (iii) executing any documents that may be required in relation to the Sale Facility; and
 - (iv) communicating the Scheme Participants' instructions, notifications, consents and elections under clause 48.22; and
 - (b) enforcing the Deed Poll against MGF RE,
- and the Responsible Entity accepts such appointment.

48.24 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to the Responsible Entity, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the Responsible Entity's registered office or at the Registry.

- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Holder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

48.25 Further action by the Responsible Entity

The Responsible Entity will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its and each Scheme Participant's obligations under the Scheme.

48.26 No liability when acting in good faith

To the maximum extent permitted by law, none of the Responsible Entity, MGF RE or MFG, nor any of their respective directors, officers, employees or associates will be liable for anything done or omitted to be done in the performance of the Scheme in good faith.

48.27 Stamp duty

MFG will pay all stamp duty (including any fines, penalties and interest) payable in respect of the Scheme.

48.28 Limitation of liability

- (a) Without limiting clauses 20.1 and 20.2 but subject to law (including the Corporations Act), the Responsible Entity will not have any liability of any nature whatsoever to Holders, beyond the extent to which the Responsible Entity is actually indemnified out of the Trust Property, arising, directly or indirectly, from the Responsible Entity doing or refraining from doing any act (including the execution of a document), matter or thing pursuant to or in connection with the implementation of the Scheme.
- (b) Without limiting anything in the constitution of MGF but subject to law (including the Corporations Act), MGF RE will not have any liability of any nature whatsoever to Scheme Participants, beyond the extent to which MGF RE is actually indemnified out of the property of MGF, arising, directly or indirectly, from MGF RE doing or refraining from doing any act (including the execution of a document), matter or thing pursuant to or in connection with the implementation of the Scheme.

Schedule 5 Independent Limited Assurance Report



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15 October 2020

The Board of Directors
Magellan Asset Management Limited
In its capacity as Responsible Entity for Magellan Global Trust
MLC Centre
Level 36, 19 Martin Place
Sydney NSW 2000

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by Magellan Asset Management Limited (“you” or “MAM”) as Responsible Entity for Magellan Global Trust (“MGG”) to report on the historical financial information and pro forma historical financial information of Magellan Global Fund, Magellan Global Trust and Magellan Global Equities Fund, for inclusion in the explanatory memorandum to be dated on or about 15 October 2020 (“Explanatory Memorandum”), and to be issued by MAM, in respect of the acquisition of all of the units in MGG in exchange for new closed class units in Magellan Global Fund on a ‘NAV for NAV’ basis by way of a trust scheme, and acquisition of all of the units in the Magellan Global Equities Fund (“MGE”) in exchange for new open class units in Magellan Global Fund on a ‘NAV for NAV’ basis by way of a trust scheme (the “Restructure”).

Expressions and terms defined in the Explanatory Memorandum have the same meaning in this report.

2. Scope

Historical Financial Information

You have requested Ernst & Young to review the following historical financial information:

- ▶ the historical statements of profit or loss of Magellan Global Fund for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 set out in section 7.19.3 of the Explanatory Memorandum;
- ▶ the historical statements of cash flow of Magellan Global Fund for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 set out in section 7.19.4 of the Explanatory Memorandum;
- ▶ the historical statement of financial position of Magellan Global Fund as at 30 June 2020 as set out in section 7.19.5 of the Explanatory Memorandum;
- ▶ the historical statement of financial position of MGE as at 30 June 2020 as set out in section 7.19.6 of the Explanatory Memorandum; and
- ▶ the historical statement of financial position of MGG as at 30 June 2020 as set out in section 7.19.6 of the Explanatory Memorandum.

(Hereafter the “Historical Financial Information”).

Schedule 5 Independent Limited Assurance Report



The historical statements of profit or loss, statements of cash flows and statement of financial position of Magellan Global Fund has been derived from its annual financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 prepared in accordance with Australian Accounting Standards ("AAS"), which has been audited by Ernst & Young. Ernst & Young issued unmodified audit opinions on these annual financial statements.

The historical statement of financial position of MGE as at 30 June 2020 has been derived from its annual financial statements as at and for the year ended 30 June 2020 prepared in accordance with AAS, which has been audited by Ernst & Young. Ernst & Young issued an unmodified audit opinion on these annual financial statements.

The historical statement of financial position of MGG as at 30 June 2020 has been derived from its annual financial statements as at and for the year ended 30 June 2020 prepared in accordance with AAS, which has been audited by Ernst & Young. Ernst & Young issued an unmodified audit opinion on these annual financial statements.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles prescribed in AAS issued by the Australian Accounting Standards Board (AASB). AAS is consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

Pro Forma Historical Financial Information

You have requested Ernst & Young to review the following pro forma historical financial information:

- ▶ the pro forma historical statement of financial position of Magellan Global Fund as at 30 June 2020 as set out in section 7.19.5 of the Explanatory Memorandum.

(Hereafter the "Pro Forma Historical Financial Information").

(the Historical Financial Information and Pro Forma Historical Financial Information is collectively referred to as the "Financial Information").

The Pro Forma Historical Financial Information has been derived from the historical statement of financial position of Magellan Global Fund and has been adjusted for the effects of pro forma adjustments described in section 7.19.5.1 of the Explanatory Memorandum.

The Pro Forma Historical Statement of Financial Position has been prepared in accordance with the recognition and measurement principles contained in AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect the impact of certain transactions as if they occurred as at 30 June 2020.

Due to its nature, the Pro Forma Historical Financial Information does not represent Magellan Global Fund's actual or prospective financial position.

The Financial Information is presented in the Explanatory Memorandum in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.



3. Directors' Responsibility

The directors of MAM as Responsible Entity for MGG, MGE and Magellan Global Fund are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information comprising:

- ▶ the historical statements of profit or loss of Magellan Global Fund for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 set out in section 7.19.3 of the Explanatory Memorandum;
- ▶ the historical statements of cash flow of Magellan Global Fund for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 set out in section 7.19.4 of the Explanatory Memorandum;
- ▶ the historical statement of financial position of Magellan Global Fund as at 30 June 2020 as set out in section 7.19.5 of the Explanatory Memorandum;
- ▶ the historical statement of financial position of MGE as at 30 June 2020 as set out in section 7.19.6 of the Explanatory Memorandum; and
- ▶ the historical statement of financial position of MGG as at 30 June 2020 as set out in section 7.19.6 of the Explanatory Memorandum.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.19.2 of the Explanatory Memorandum.



Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising:

- ▶ the pro forma historical statement of financial position of Magellan Global Fund as at 30 June 2020 as set out in section 7.19.5 of the Explanatory Memorandum

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.19.2 of the Explanatory Memorandum.

6. Restriction on Use

Without modifying our conclusions, we draw attention to section 7.19.2 of the Explanatory Memorandum, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young has consented to the inclusion of this limited assurance report in the Explanatory Memorandum in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young does not have any interests in the outcome of this Restructure other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

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

Ernst & Young

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Magellan Global Fund

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