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20 October 2022

ASX Limited  
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SYDNEY NSW 2000

### **2022 AGM Chairman's Address**

Please find attached the Chairman's address for the 2022 Annual General Meeting of Magellan Financial Group Limited ("Magellan").

Authorised by

Marcia Venegas | Company Secretary

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**Chairman's Address  
to the 2022 Annual General Meeting  
Thursday 20 October 2022**

Good morning, ladies and gentlemen. I am Hamish McLennan, Chairman of Magellan Financial Group Limited. On behalf of the Board, I welcome you to our 2022 Annual General Meeting.

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As you know, I was appointed independent, non-executive Chairman of the Board in February 2022, so this is my first address to you in this capacity.

## FY22 Priorities

- Challenging year for Magellan
- Focus on restoring stability, confidence and value to Magellan's clients and shareholders

### Priorities

- Governance and accountability across the business
- Core Funds Management business performance
- Stakeholder engagement – clients, investors, employees
- Employee retention initiatives aligned to shareholders' interests
- Capital management initiatives to create shareholder value

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It is fair to say that 2022 has been an unprecedented year for Magellan. I acknowledge that this year's events are not what you would have expected and have created challenges that have been felt by all of our stakeholders, from our clients to our staff and shareholders.

Throughout this period, the Board has been extremely focused on restoring stability, confidence and value to Magellan's clients and shareholders.

This has included embarking on an extensive stakeholder engagement program, meeting with a broad range of clients and shareholders both domestically and internationally and holding 25 board meetings during the 2022 financial year, as well as 10 Audit & Risk Committee meetings and 6 Remuneration & Nomination Committee meetings.

Through this process, our focus has been on:

- Enhancing governance and accountability across the business;
- Restoring the strong performance track record of our core Funds Management business;
- Engaging with our clients and investors;
- Retaining and motivating our team; and
- Implementing capital management initiatives to create shareholder value.

# People & Leadership

## Senior Management

- Appointment of David George as CEO and Managing Director
- Creation of new Chief Operating Officer role filled by Kirsten Morton, in addition to her CFO role

## Investment Team

- David George's oversight of investment functions formalised by appointment as Chief Investment Officer ("CIO")
- Gerald Stack appointed to the role of Deputy CIO
- Hamish Douglass commenced consulting role to Magellan's investment team, supporting client outcomes

## Staff Engagement and Retention

- Implementation of staff retention measures to retain and incentivise our people – our key asset – and allow them to remain focused on our clients and business:
  - Retention bonus plan
  - Amendments to the terms of the Share Purchase Plan loans to employees
  - Issue of employee options on equivalent terms to MFG Bonus Options
- Employee retention initiatives structured to create alignment with interests of shareholders

First and foremost, our priority has been to ensure that we have the right leadership team to steer Magellan through its next chapter as it transitions away from being a founder-led business.

In May 2022, we announced our appointment of David George as Magellan's CEO and Managing Director following an extensive search.

David commenced in this role on 19 July 2022 and brings an outstanding investment management pedigree, strong client service credentials and a fresh perspective to our team, having spent the last 14 years with the Future Fund.

He is an excellent fit for our business and has hit the ground running, working effectively with all parts of the organisation in these early months.

We also created a new Chief Operating Officer role, which has been filled by Kirsten Morton. Kirsten will undertake this role in conjunction with her role as Chief Financial Officer. The function of the COO role is to support the CEO, streamline processes, enhance efficiencies throughout the business and ensure best practice initiatives are rolled out across the organisation.

Within our investment team, earlier this week we formalised David George's role leading our investment functions through his appointment as Chief Investment Officer. David assumed direct responsibility for Magellan's investment functions when he commenced in July and has been working closely with the investment team, applying his extensive experience to build on the efficiency and excellence of our investment activities. It is important to note that David's role as CIO is not as a portfolio manager, but rather is focused on thinking broadly about where the world and our clients are heading and shaping our investment capability to address this.

David will work together with Gerald Stack, who has been appointed to the role of Deputy Chief Investment Officer, in addition to his responsibilities as head of Magellan's successful global listed infrastructure business. Gerald has held various leadership roles within the investment team since he joined Magellan in 2007.

These appointments have enabled Chris Mackay to step back from his oversight role of Magellan's Global Equities strategy, which is led by Arvid Streimann and Nikki Thomas. Earlier this year, at the request of the Board, Chris returned to Magellan to provide immediate support to the investment team during a period of transition for the business. The appointments of David George and Gerald Stack to

the roles of CIO and Deputy CIO mark the conclusion of this transition and I would like to take this opportunity to thank Chris for his outstanding contribution to Magellan this year.

Earlier this month, Hamish Douglass commenced a new role with the business as an external consultant to Magellan's investment team. This consulting role includes providing investment insights, particularly on macroeconomic and geopolitical issues, to the global equities team with some limited institutional client engagement. David will oversee this engagement and ensure that it supports investment and client outcomes and continues to benefit Magellan.

In addition to building out our leadership team we have also been focused on ensuring that we retain, engage and motivate our people. Our staff are fundamental to delivering value for our clients and generating shareholder returns, so it is imperative that we look after them.

In March 2022, we announced a number of employee initiatives, including:

1. a retention bonus plan to be paid to staff in instalments in September 2024 and September 2025;
2. amendments to the terms of our employee share purchase plan loans which extend the life of the loans and remove the requirement to direct a portion of an employee's annual bonus towards the repayment of their SPP loan; and
3. lastly, we announced the issue of up to 10 million options to employees on terms equivalent to the Bonus Options issued to shareholders in April of this year. These options vest and become exercisable from 1 September 2024 and expire on 16 April 2027. They will not be quoted on the ASX and are not transferable.

All of these initiatives are subject to standard conditions around vesting and continued employment and have been structured to ensure alignment with the interests of shareholders with a focus on long term value creation.

Importantly, they have allowed our employees to remain focused on our clients and the business during a period of change and uncertainty and assisted in achieving our overall goal to be an employer of choice for our people while balancing the needs of our shareholders.

## Capital Management

- On-market buy-back of up to 10 million shares:
  - Implementation continues – 2.2 million shares acquired to date
- Bonus Options issued to shareholders on a 1-for-8 basis for nil consideration
- Focus on core Funds Management business
  - No further investments in Magellan Capital Partners
  - Sale of shareholding in Guzman y Gomez for cash consideration of \$140 million – representing a 36% premium to entry price in January 2021
- Full year dividend of 179.0 cents per share (77% franked)<sup>1</sup>

Note 1: Reflects weighted average level of franking over 1H22 and 2H22 dividends.

Another key area of focus for the Board in FY22 was enhancing shareholder value through capital management initiatives.

At the Interim Results in February, we reiterated our focus on Magellan's core Funds Management business. As a result, we announced that we would not make further investments in Magellan Capital Partners and sold our shareholding in Guzman y Gomez for cash consideration of \$140 million. The sale, which completed on 24 June 2022, was an excellent result for shareholders, delivering a 36% premium to our entry price in January 2021, 18 months earlier.

We also confirmed our dividend payout policy of 90%-95% of net profit after tax from our Funds Management business and paid a total dividend for the 2022 financial year of 179.0 cents. The first half dividend of 110.1 cents was franked at 75% and the second half dividend of 68.9 cents was franked at 80%, representing 77% franking on a weighted average basis.

As noted at our full year results in August, with the offshore banking unit regime coming to an end from 1 July 2023, shareholders can expect that our franking levels will increase in the following years.

Another capital management initiative that we implemented throughout the year was the suspension of the Dividend Reinvestment Plan and the implementation of an on-market buy-back of up to 10 million shares. The buy-back remains on foot and we have bought back 2.2 million shares to date. We are taking a measured and disciplined approach to buying back shares and consider this an effective and value enhancing way to return capital to shareholders.

Last, but not least, in April, we issued bonus options to shareholders on a 1-for-8 basis for nil consideration. These options are quoted on ASX and expire in April 2027.

## Governance – Board Review & Renewal

- Strong governance is integral to restoring confidence and stability
- Focus is on:
  - Enhancing governance
  - Ensuring we have the right skill mix, expertise, independence and diversity to support Magellan's future strategic direction
  - Balancing the need for continuity and retention of corporate knowledge
- Targeting a Board of seven Directors comprising:
  - six independent, non-executive Directors, and
  - the CEO & Managing Director
- Process to refresh the Board with the appointment of additional independent non-executive directors is well underway

Looking forward, the Board recognises the need for continued strong governance and clear communication around the Company's strategy and we are making good progress in this regard.

Notably, this year, we have embarked upon a Board review and renewal program, with the aim of enhancing governance and ensuring we have the right skill mix, expertise, independence and diversity to support Magellan's future strategic direction, whilst balancing the need for continuity and retention of corporate knowledge.

We are targeting a Board of seven Directors, comprising six independent, non-executive Directors, and the CEO & Managing Director.

## Governance – Progress

- Appointment of independent non-executive Chairman of Magellan Financial Group (Hamish McLennan) in February 2022
- Robert Fraser appointed Deputy Chairman of Magellan and continues as independent non-executive Chairman of Magellan Asset Management, Magellan's core business
- New CEO, David George appointed to the Board as Managing Director in July 2022
- Independent non-executive Director, Karen Phin, has announced her retirement from the Board following the AGM
- Pleased to welcome new independent non-executive Director, David Dixon, to the Board of Magellan Asset Management Limited. Intention to appoint Mr. Dixon to the Magellan Financial Group Board in due course
  - Over 30 years' experience leading and growing investment businesses within the funds management industry
  - Formerly Chief Investment Officer, Equities at First Sentier Investors (formerly Colonial First State Global Asset Management) (2013 – 2020)
  - Non-Director Member of the Aware Super Investment Committee (appointed January 2021)
- Anticipate further Board renewal over the next 6 to 12 months

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The first step in this process was my appointment as independent non-executive Chairman of Magellan Financial Group in February 2022, and the appointment of Robert Fraser as Deputy Chairman. Robert also continues as independent non-executive Chairman of Magellan Asset Management, Magellan's core operating subsidiary.

David George also joined the Board as Managing Director when he commenced as CEO and Managing Director in July 2022.

Today we announced the appointment of a new independent, non-executive director to the Board of our main operating subsidiary, Magellan Asset Management. We are delighted that David Dixon will be joining the Board of Magellan Asset Management, with effect from 1 November 2022, as a Non-Executive Director and Deputy Chairman. David has over 30 years' experience leading and growing investment businesses within the funds management industry and extensive experience as a senior leader and as a director of trustee companies and superannuation funds. His deep experience will be invaluable to Magellan, and we look forward to his contribution. Our intention is that David will also be appointed to the Board of Magellan Financial Group Limited in due course.

As previously announced to the market, today we farewell independent, non-executive director Karen Phin from the Board, who will retire with effect from the conclusion of today's AGM. Karen has provided invaluable advice to Magellan over the past eight years and brought a wealth of financial services and capital markets expertise to the Board. Karen also played an important role in our regulatory engagements and fostering innovation throughout the years, notably, when we launched our first Active ETF. I would like to take this opportunity to thank Karen for her contribution to the Board over many years. We wish her all the best in the future.

In addition to Karen's retirement, we anticipate there will be further Board renewal over the next 6 to 12 months, and as a result, we will be seeking to appoint additional independent non-executive directors. These are in addition to David Dixon. These appointments will deliver our target Board structure of six non-executive directors and one executive director.

The Board's search for these additional non-executive directors is well underway with our focus being on ensuring board diversity and the requisite skill set mix required to support Magellan's future strategy.

## Positive on the Future

- CEO, David George working very effectively with all parts of the organisation
- Employees are committed and professional
- Client engagement and service delivery is very good
- Have confidence in the processes and practices of Magellan's key investment strategies to deliver value for clients over the long term
- Strategic plan to support the business and growth
- Balance sheet remains in a strong condition to support reinvestment into the business

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Before I pass over to David, I would like to conclude by saying that, despite the recent challenges, Magellan remains a fund manager of considerable underlying financial strength and great potential.

Only a few months into his new role as CEO, David is already working effectively with all parts of the organisation and the Board is confident that he will be an excellent leader for the next chapter of Magellan's growth.

Our employees are genuinely committed to restoring shareholder value with over 85% of our staff Magellan shareholders, aligning them with the interests of our other shareholders.

Whilst we recognise that our Global Equities Strategy has underperformed relative to the market over the past two years, I can assure you we have been, and continue to, take proactive steps to address this and to restore the strong investment performance for which we have been known over the past 16 years. The outperformance of the Global Equities Strategy relative to the market during the last 6 months of the transition has been pleasing, particularly given difficult market conditions. We remain committed to our investment philosophies and disciplined investment approach which aim to generate wealth over the long term, while reducing the risk of permanent capital loss.

David will soon take you through his thoughts on the business and its future. He has the full support of the Board, and we are aligned in our focus on returning Magellan to growth.

On that note, I will pass on to David, who will provide an update on strategy.

**Hamish McLennan**  
**Chairman**



## IMPORTANT INFORMATION

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