

Magellan Financial Group Limited

2018 AGM Presentation

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2018 Highlights

- Strong growth in funds under management and management and services fees:
 - Average funds under management up 29% to \$59.0 billion¹
 - Management and services fee revenue up 26% to \$385.8 million¹
 - Profit before tax and performance fees of the Funds Management business up 29% to \$291.8 million¹
- Completion of Magellan Global Trust (ASX: MGG) IPO, raising \$1.57 billion
 - One-off MGG net offer costs after tax of \$55.7 million
 - Strategically important and value accretive for shareholders (21% post-tax return on investment)
- Acquisitions of Airlie Funds Management and Frontier Group²
- Group profit after tax, excluding the MGG net offer costs and amortisation, grew by 37% to \$268.9 million

1. Percentage change relative to the 12 month period ended 30 June 2017. The MGG one-off expenses are not included in the Funds Management segment.
2. Frontier Group comprises Frontier Partners Inc (acquired 5 February 2018), Frontier Strategies LLC (acquired 2 April 2018) and Frontegra Asset Management Inc (acquired 1 October 2018).

Magellan Financial Group Full Year Results

\$ million	30 June 2018	30 June 2017	% change
Management and services fees	385.8	307.2	26%
Performance fees	39.8	21.7	83%
Other revenue	27.0	9.4	188%
Revenue	452.6	338.3	34%
Expenses before MGG net offer costs ¹ and amortisation	(101.0)	(82.1)	23%
Profit before tax before MGG net offer costs and amortisation	351.6	256.1	37%
Profit after tax before MGG net offer costs and amortisation	268.9	196.2	37%
MGG net offer costs and amortisation (after tax) ²	(57.1)	n/a	n/a
Profit after tax after MGG net offer costs and amortisation	211.8	196.2	8%
Key statistics			
Diluted EPS (cents per share)	122.0	114.1	7%
Diluted EPS before MGG net offer costs and amortisation (cents per share)	154.9	114.1	36%
Interim and Final Dividends (cents per share, fully franked)	119.6	79.9	50%
Annual Performance Fee Dividend (cents per share, fully franked)	14.9	5.7	161%
Total Dividends (cents per share, fully franked)	134.5	85.6	57%

1. MGG net offer costs are net of the distribution declared for the half year ended 31 December 2017 on the loyalty units; 2. Offer costs, after tax, for the MGG initial public offering (inclusive of the costs of loyalty units) of \$55.7 million. These offer costs are net of the distribution paid in respect of the half year ended 31 December 2017 on the loyalty units. These one-off net offer costs have been funded out of available cash and are not included in the Funds Management segment and, as such, do not affect the profitability of the Funds Management business.

Stakeholder value creation

	Value creation since 2006
Magellan Financial Group ¹ – shareholders	\$5.3 billion
Global Equities ² – clients	\$30.0 billion
Infrastructure Equities ² – clients	\$4.8 billion
Total	\$40.1 billion

~\$40 billion of value created for stakeholders since the business began

As at 31 August 2018

1. Value created calculated as current market capitalisation less equity raised, plus dividends paid over time.

2. Value created calculated as current FUM less net inflows over time, plus distributions over time, plus the value of closed separate accounts over time less net inflows.



Funds Management

Funds Management Business

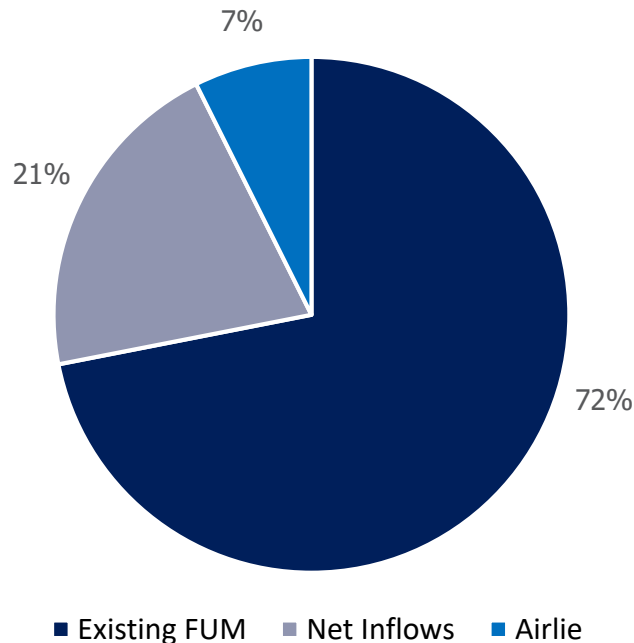
\$ million	30 June 2018	30 June 2017	% change
Revenue			
Management fees	381.1	300.5	27%
Performance fees	39.8	21.7	83%
Services fees	4.7	6.7	-29%
Interest/other income	3.2	0.3	909%
	428.7	329.2	30%
Expenses			
Employee expense	51.9	47.3	10%
Marketing expense	11.1	3.0	266%
Other expense	34.3	30.6	12%
	97.3	80.9	20%
Profit before tax	331.4	248.3	33%
Profit before tax and before performance fees¹	291.8	226.8	29%

Key Statistics

	30 June 2018	30 June 2017	% change
Average Funds Under Management (\$ billion)	59.0	45.7	29%
Average AUD/USD exchange rate	0.7752	0.7538	3%
Avg. number of employees	116	104	12%
Employee expense/total expense	53.4%	58.5%	
Cost/Income	22.7%	24.6%	
Cost/Income (excl performance fees) ¹	25.0%	26.3%	

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

Revenue Growth Drivers



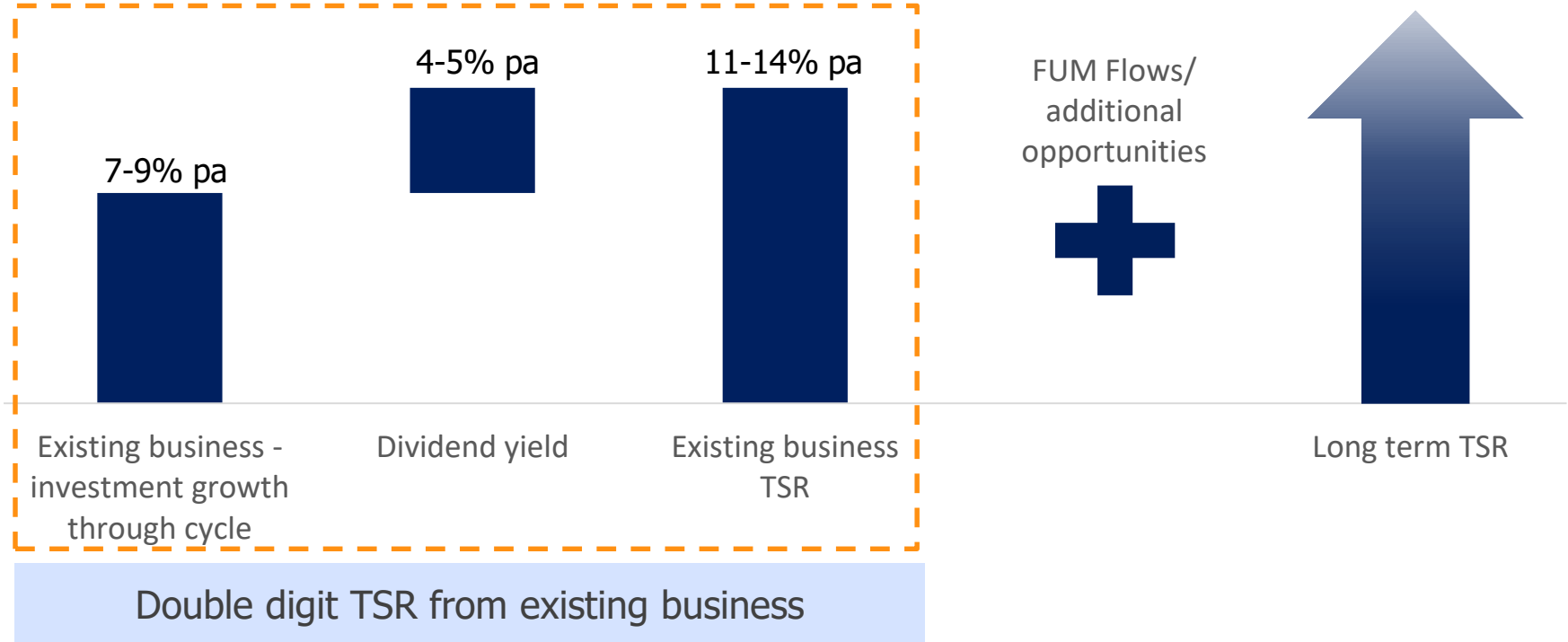
- Magellan reported 29% growth in management, services and performance fees in 2018
 - 72% was contributed from Existing FUM
 - 21% was contributed from Net Inflows during the year
 - 7% was contributed from the acquisition of Airlie
- Excluding the Airlie acquisition, 78% of the revenue growth was driven by Existing FUM

Investment performance for existing clients is the primary driver of revenue growth

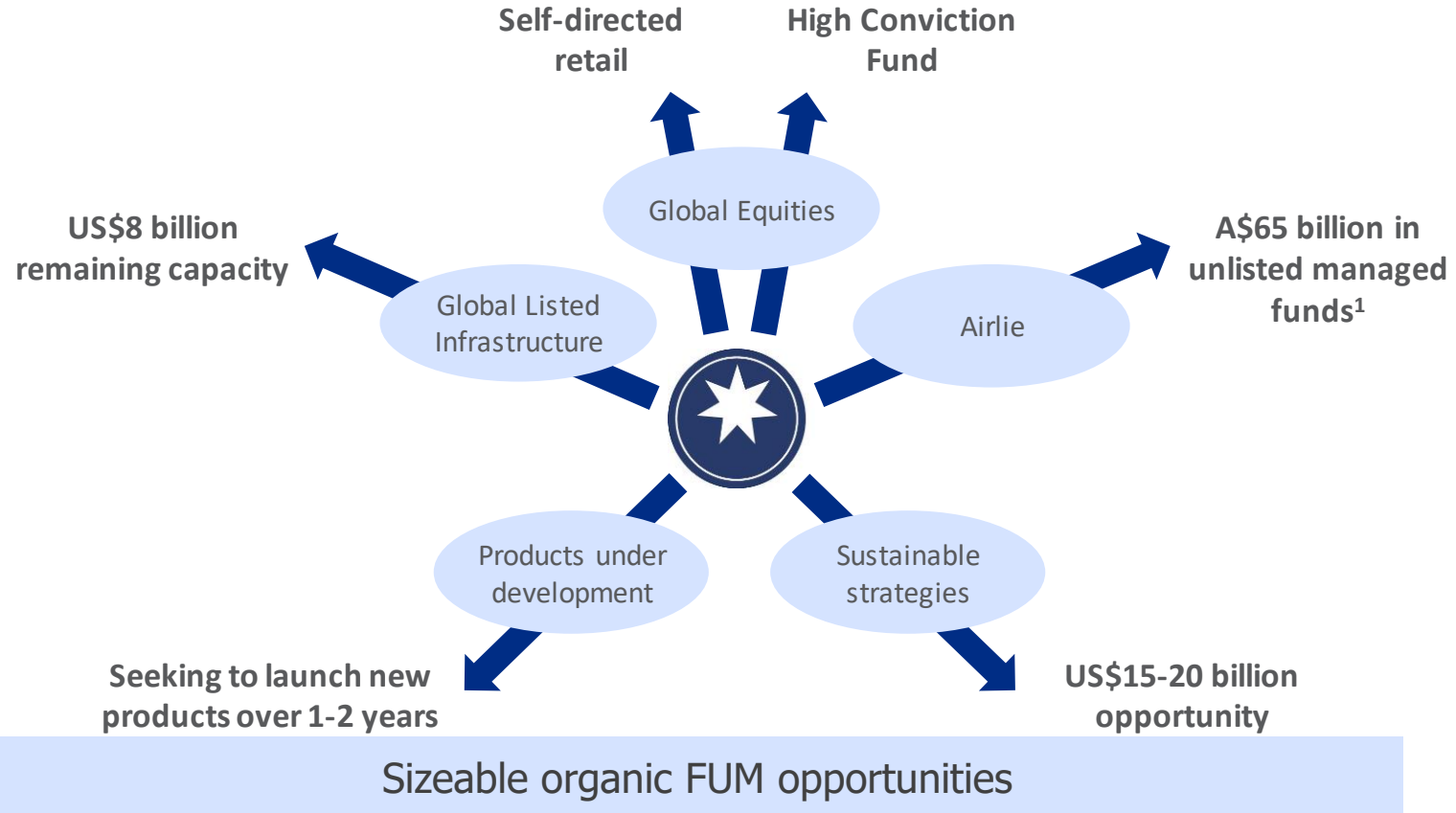


Drivers of shareholder value

A model for long term Total Shareholder Return (TSR)



New FUM opportunities



1. Morningstar Direct, July 2018 for active, large-cap Australian equities managed funds

Self-directed retail channel

Market opportunity

- Estimated self-directed investable assets of ~\$500bn¹
 - Estimated global equities opportunity in self-directed of \$50-75bn²
 - Magellan currently at ~\$1.3bn
- Australian self-directed investors are materially underweight global equities

Access Points

- Two innovative access points on ASX:
 - Open-ended Active ETFs (MGE, MHG, MICH)³
 - Closed-ended Magellan Global Trust (ASX: MGG)

Marketing strategy

- Improved brand awareness 30% from prior year
- Moving to more heavily targeted, data-led, customer acquisition approach

1. Rice Warner Personal Investments Market Projections Report 2014 and Magellan estimates.

2. Assumes 50% allocation to equities and 20-30% equities allocation into global equities.

3. Magellan Global Equities Fund (Managed Fund) (ASX: MGE), Magellan Global Equities Fund (Currency Hedged) (Managed Fund) (ASX: MHG), Magellan Infrastructure Fund (Currency Hedged) (Managed Fund) (ASX: MICH).

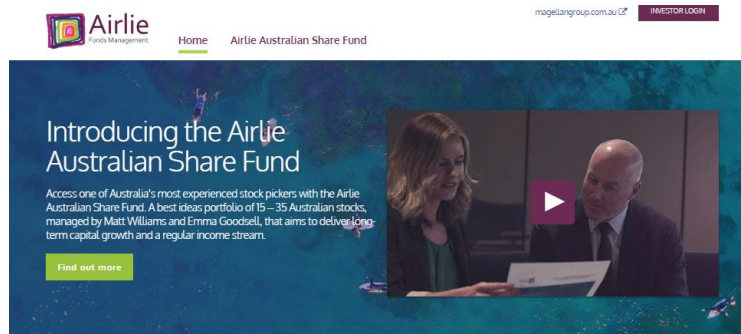
High Conviction Fund

- Current FUM of \$575 million
- Concentrated portfolio which represents our best investment ideas
- Developed outstanding 5 year investment track record
- Launched wholesale unit class and marketing to advisers

	Magellan High Conviction Fund
1 year	23.0%
3 years (% p.a.)	14.0%
5 years (% p.a.)	17.3%

Airlie retail opportunity

- Launched the Airlie Australian Share Fund in June 2018
- Providing retail investors with access to one of the pre-eminent investment teams in Australian equities
- Adviser fund launch roadshow across Australia and New Zealand 17-27 July 2018 – ~600 attendees
- Fund research in place with Lonsec and Zenith - “Recommended” rating
- A\$65 billion market opportunity in active unlisted managed funds
 - 5-10% market share = \$3.25-\$6.5 billion
- Potential to enter listed space



About the Airlie Australian Share Fund

The Airlie Australian Share Fund ('the Fund') offers investors the opportunity to invest in a specialised and focused Australian equities fund. The Fund has a range of compelling benefits, including:



Airlie's Best Ideas

Airlie's conservative and robust investment process, proven over the long-term, rations the energies of the experienced investment team into finding the best investment opportunities.



Concentrated Portfolio

The Fund is a concentrated, active portfolio of typically 25 hand-picked Australian listed equities.



Magellan Partnership

The partnership between Airlie and Magellan Asset Management provides retail investors with access to Airlie's unrivalled investment expertise for the first time, through the Airlie Australian Share Fund.

Global Listed Infrastructure

- Listed infrastructure is gaining acceptance globally as an asset class
- Magellan is well positioned to grow in this area given:
 - Our unique approach to defining “infrastructure”
 - Consistency of investment returns and long term outperformance
- Solid institutional pipeline
- Launched Select Infrastructure mutual fund on the Frontier platform in July 2018 based on client demand
- Consistent retail inflows in 2018
- Retail continues to represent a large opportunity and the Magellan Infrastructure Fund (Currency Hedged) (ASX: MICH) provides access to the self-directed retail market
- Substantial headroom in theoretical capacity – ~US\$8 billion

Sustainable/Low Carbon Strategies

- Leverages Magellan's existing intellectual capital and investment processes and Low Carbon/Sustainable overlay is targeting a real client need
- Requires meaningful track record – typically minimum 3 years
 - Global and US strategies have been running for ~24 months and ~21 months respectively and are exceeding return objectives
- First client taken into Global Sustainable UCITS sub-fund in July 2018
- US\$15-20 billion theoretical capacity

Driving shareholder value

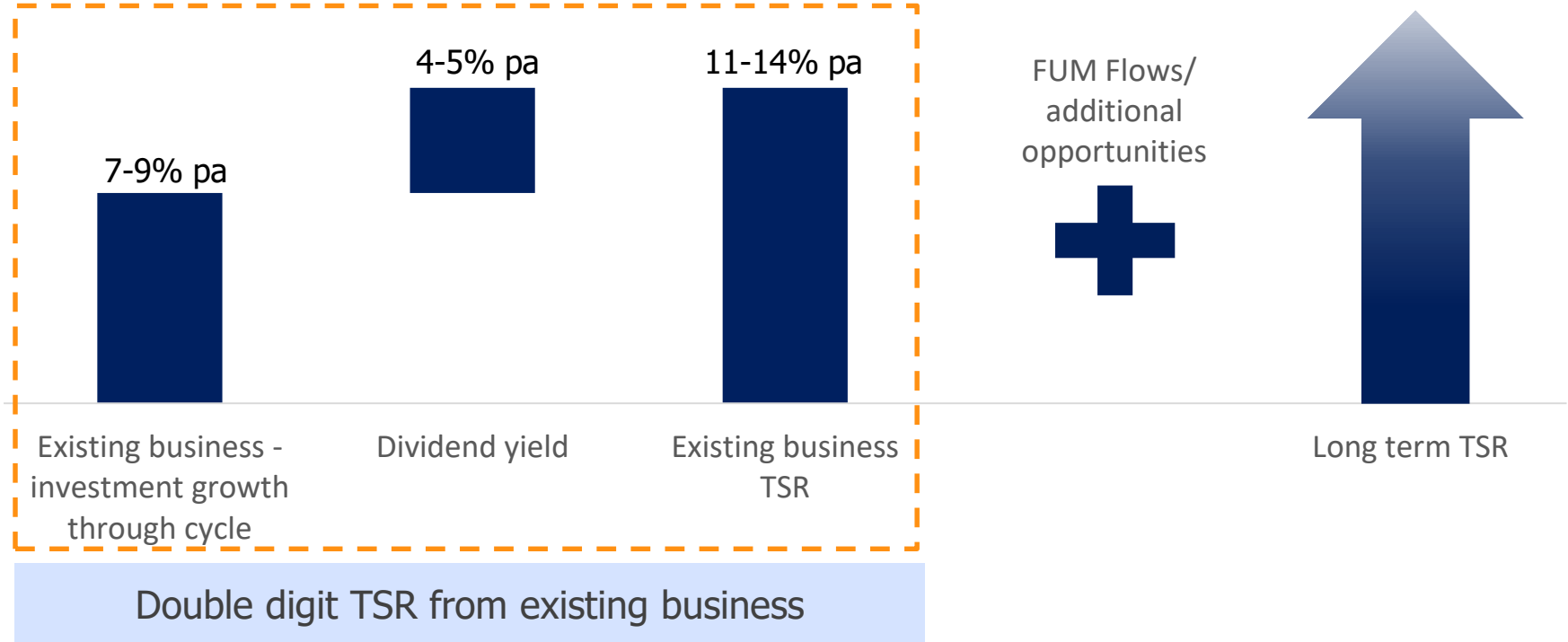
Outstanding existing client business
(FUM \$74.5 billion)¹

Increased cash dividends to shareholders
(payout 90-95% of funds management profit after tax²)

Numerous additional FUM opportunities

1. As at 28 September 2018; 2. Excluding amortisation, subject to corporate, legal and regulatory considerations.

A model for long term Total Shareholder Return (TSR)



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