

2013



# INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED – 31 DECEMBER 2013

MAGELLAN GLOBAL FUND: ABN 18 387 878 844

MAGELLAN INFRASTRUCTURE FUND: ABN 64 144 747 279

MAGELLAN HIGH CONVICTION FUND: ABN 31 120 593 946

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# DIRECTOR'S REPORT

## for the half year ended 31 December 2013

The Directors of Magellan Asset Management Limited (ABN 31 120 593 948), the Responsible Entity of Magellan Global Fund, Magellan Infrastructure Fund and Magellan High Conviction Fund (collectively referred to as "the Funds") present their report, together with the interim financial statements for the Funds in respect of the half year ended 31 December 2013.

### 1.1 Directors of the Responsible Entity

The following persons were Directors of Magellan Asset Management Limited during the half year and up to the date of this report:

Name	Directorship
Brett Cairns	Independent Non-Executive Director
Paul Lewis	Independent Non-Executive Director
Hamish Douglass	Executive Director and Chief Executive Officer

### 1.2 Principal Activity

Magellan Global Fund, Magellan Infrastructure Fund and Magellan High Conviction Fund are registered managed investment schemes domiciled in Australia, with a principal place of business at Level 7, 1 Castlereagh Street, Sydney, New South Wales 2000.

The principal activity of the Magellan Global Fund (MGF) is investment in companies and businesses in global financial services, consumer and retail, healthcare, technology and media, and infrastructure, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 30 June 2013 and the Constitution. MGF commenced on 1 July 2007.

The principal activity of the Magellan Infrastructure Fund (MIF) is investment in listed entities on any stock exchange whose primary business is the ownership and operation of infrastructure assets, such as airports, distribution, toll roads, water utilities, integrated power and communications, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 30 June 2013 and the Constitution. MIF commenced on 1 July 2007.

The Magellan High Conviction Fund (MHCF) was established on 28 June 2013 and seeded by Magellan Asset Management Limited. On 1 July 2013, MHCF was opened to external investors. MHCF's principal activity is investment in a highly concentrated portfolio of global equities in financial services, consumer and retail, technology and media, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 30 June 2013 and the Constitution.

The Responsible Entity of each of the Funds is incorporated and domiciled in Australia and has its principal place of business at Level 7, 1 Castlereagh Street, Sydney, New South Wales 2000

### 1.3 Distributions

In respect of the half-year ended 31 December 2013, the Magellan Infrastructure Fund declared a distribution of 0.91 cents per unit (December 2012: 0.50 cents per unit) totalling \$5,215,000, which was paid on 7 January 2014. The Magellan Global Fund did not pay a distribution during the half year ended 31 December 2013 (December 2012: nil). The Magellan High Conviction Fund did not pay a distribution during the period ended 31 December 2013.

# DIRECTOR'S REPORT (continued)

for the half year ended 31 December 2013

## 1.4 Review of Operations

### (i) Financial Results

The performance of the Funds, as represented by the operations and their performance were as follows:

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan High Conviction Fund <sup>(A)</sup>
	31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000
<b>Results</b>					
Net profit from operating activities	635,721	123,813	39,418	20,766	13,316
Distribution paid and payable to unitholders for the half-year	-	-	(5,215)	(1,927)	-
<b>Distribution - cents per unit</b>	<b>0.0000</b>	<b>0.0000</b>	<b>0.9100</b>	<b>0.5000</b>	-
<b>Performance (six months)</b>					
Growth return	15.2%	8.2%	7.5%	7.8%	17.7%
Distribution return	-	-	1.1%	0.7%	-
<b>Total return</b>	<b>15.2%</b>	<b>8.2%</b>	<b>8.5%</b>	<b>8.4%</b>	<b>17.7%</b>
<b>Redemption unit price (ex distribution)</b>	<b>\$ 1.7481</b>	<b>\$ 1.2009</b>	<b>\$ 0.9441</b>	<b>\$ 0.8240</b>	<b>\$ 1.1762</b>

The unit prices of the Funds at reporting date at the most recent period ends were:

	2013	2012	2013	2012	2013
31 December	\$ 1.7498	\$ 1.2021	<sup>(B)</sup> 0.9364	<sup>(B)</sup> 0.8202	\$ 1.1774
30 June (ex-distribution)	\$ 1.5184	\$ 1.1105	\$ 0.8713	\$ 0.7610	-

(A) Magellan High Conviction Fund (MHCF) was launched and open to external investors on 1 July 2013. Therefore no comparatives have been included in the corresponding period.

(B) Ex distribution.

Returns have been calculated after fees and assuming reinvestment of distributions, in accordance with IFSA Standard 6.00 *Product Performance – calculation and presentation of returns*. Returns are calculated for the period 1 July 2013 to 31 December 2013, and are not annualised.

# DIRECTOR'S REPORT (continued)

for the half year ended 31 December 2013

## 1.4 Review of Operations (continued)

### (ii) Strategy and Future Outlook

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. The Funds provide daily unit prices, monthly fund updates and six monthly investor reports which can found in the Magellan Funds section of the Magellan Financial Group Limited website, [www.magellangroup.com.au](http://www.magellangroup.com.au). The Fund updates and investor reports include detailed discussions in relation to some investee companies, from time to time, to the market along with Fund outlook commentary.

## 1.5 Interests in the Funds

The movements in units on issue in the Funds during the half year ended 31 December 2013 are disclosed in note 3(a) to the financial statements.

## 1.6 Fund Assets

At 31 December 2013, net assets attributable to unitholders of the Funds are set out below:

	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Magellan Global Fund	5,114,465	3,558,946
Magellan Infrastructure Fund	536,272	453,301
Magellan High Conviction Fund	105,246	-

## 1.7 Significant Changes in the State of Affairs

There were no significant changes in the investment strategies of the Funds or operational circumstances since the publication of the initial Product Disclosure Statements of the Funds during the half-year ended 31 December 2013, other than those matters stated in this report.

## 1.8 Events Subsequent to the End of Half Year

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Funds' operations, the results of those operations, or the Funds' state of affairs in future financial years.

## 1.9 Likely Developments and expected results of operations

The Funds will continue to invest in companies and businesses in accordance with the investment strategy as detailed in their Product Disclosure Statements. The methods of operating the Funds are not expected to change in the foreseeable future. Additional comments on the expected results of operations of the Funds are included in this report under the review of operations.

## 1.10 Environmental Regulation

The operations of the Funds are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory Law.

# **DIRECTOR'S REPORT (continued)**

**for the half year ended 31 December 2013**

## **1.11 Indemnification and Insurance of Officers and Auditors**

The Constitution of the Responsible Entity requires it to indemnify all current and former officers of the Responsible Entity (and where approved by the Directors, employee, former employees and the auditor and former auditors of the Company) out of the property of the Responsible Entity against:

- (a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001 and
- (b) liabilities incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the half year ended 31 December 2013, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporate. This insurance premium does not cover auditors.

The Funds have not indemnified or insured Directors or Officers or the Auditor of the Funds.

## **1.12 Rounding of Amounts**

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/0100 (as amended) and consequently amounts in the Directors' Report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

## **1.13 Including Different Fund Financial Reports in a Single Document**

The Funds have applied Australian Securities & Investments Commission's Class Order 06/441, which allows managed registered schemes with a common Responsible Entity to include their financial statements in adjacent columns in a single financial report.

## **1.14 Auditors' Independence Declaration**

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

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



**Hamish Douglass**

Director and Chief Executive Officer

Sydney

20 February 2014

# AUDITOR'S INDEPENDENCE DECLARATION



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## Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as the Responsible Entity of Magellan Global Fund, Magellan Infrastructure Fund and Magellan High Conviction Fund (the "Schemes")

In relation to our review of the financial report of the Schemes for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Graeme McKenzie  
Partner  
Sydney  
20 February 2014

# STATEMENTS OF COMPREHENSIVE INCOME

for the half year ended 31 December 2013

	Magellan Global Fund	Magellan Infrastructure Fund	Magellan High Conviction Fund <sup>(A)</sup>		
	31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000
<b>Investment Income</b>					
Interest income	724	683	131	319	36
Dividend and distribution income	30,092	13,089	8,334	5,231	523
Net gains/(losses) in fair value of investments					
- designated at fair value through profit or loss	637,389	124,008	59,531	18,321	14,516
- held for trading	-	-	(19,489)	571	-
Net foreign exchange gain/(loss)	2,146	(25)	(5,103)	(74)	25
<b>Total net investment income</b>	<b>670,351</b>	<b>137,755</b>	<b>43,404</b>	<b>24,368</b>	<b>15,100</b>
<b>Expenses</b>					
Management fees	30,357	11,544	2,721	1,516	620
Performance fees	26	391	444	1,173	1,070
Swap finance costs	-	-	-	408	-
Transaction costs	425	275	71	35	27
Withholding tax on dividends	3,822	1,732	750	470	67
<b>Total expenses</b>	<b>34,630</b>	<b>13,942</b>	<b>3,986</b>	<b>3,602</b>	<b>1,784</b>
<b>Profit from operating activities</b>	<b>635,721</b>	<b>123,813</b>	<b>39,418</b>	<b>20,766</b>	<b>13,316</b>
<b>Finance costs attributable to unitholders</b>					
Distributions to unitholders	-	-	(5,215)	(1,927)	-
Increase in net assets attributable to unitholders	(635,721)	(123,813)	(34,203)	(18,839)	(13,316)
<b>Net profit / (loss) for the half-year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other comprehensive for the half-year	-	-	-	-	-
<b>Total comprehensive for the half-year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(A) Magellan High Conviction Fund (MHCF) was launched and open to external investors on 1 July 2013. Therefore no comparatives have been included in the corresponding period.

The above Statements of Comprehensive Income are to be read in conjunction with the accompanying notes to the financial statements.



# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

		Magellan Global Fund		Magellan Infrastructure Fund		Magellan High Conviction Fund <sup>(A)</sup>
	Note	31 Dec 2013 \$'000	30 Jun 2013 \$'000	31 Dec 2013 \$'000	30 Jun 2013 \$'000	31 Dec 2013 \$'000
<b>Assets</b>						
Cash and cash equivalents		119,362	148,121	13,664	89,797	3,360
Receivables		11,369	19,700	4,674	14,126	54
Investments	2(a)	5,012,046	3,506,547	526,927	438,867	104,300
<b>Total assets</b>		<b>5,142,777</b>	<b>3,674,368</b>	<b>545,265</b>	<b>542,790</b>	<b>107,714</b>
<b>Liabilities</b>						
Payables		28,312	115,422	8,102	64,475	2,455
Investments	2(b)	-	-	891	25,014	13
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>28,312</b>	<b>115,422</b>	<b>8,993</b>	<b>89,489</b>	<b>2,468</b>
<b>Net assets attributable to unitholders</b>	3(b)	<b>5,114,465</b>	<b>3,558,946</b>	<b>536,272</b>	<b>453,301</b>	<b>105,246</b>

(A) Magellan High Conviction Fund (MHCF) was launched and open to external investors on 1 July 2013. Therefore no comparatives have been included in the corresponding period.

The above Statements of Financial Position are to be read in conjunction with the accompanying notes to the financial statements.

## STATEMENTS OF CHANGES IN EQUITY

for the half year ended 31 December 2013

The Funds' net assets attributable to unit holders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As a result, the Funds have no changes in equity at the beginning or end of the current or prior period.

# STATEMENTS OF CASH FLOWS

for the half year ended 31 December 2013

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan High Conviction Fund <sup>(A)</sup>
	31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000
<b>Cash flows from operating activities</b>					
Interest received	888	688	172	334	34
Dividends and distributions received	30,874	11,956	6,320	4,030	456
Management and performance fees paid	(43,785)	(13,887)	(2,148)	(1,369)	(481)
Other expenses paid	(524)	(423)	(75)	(53)	(51)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(12,547)</b>	<b>(1,666)</b>	<b>4,269</b>	<b>2,942</b>	<b>(42)</b>
<b>Cash flows from investing activities</b>					
Purchase of investments	(1,479,893)	(930,688)	(176,816)	(96,391)	(120,128)
Proceeds from sale of investments	617,159	249,892	96,043	14,286	31,603
Net cash flows from foreign exchange hedging activities	-	-	(43,612)	5,210	-
Proceeds from close out of equity swap positions	-	-	-	612	-
Net foreign exchange gains/(losses)	3,169	(544)	(4,404)	(121)	13
<b>Net cash outflow from investing activities</b>	<b>(859,565)</b>	<b>(681,340)</b>	<b>(128,789)</b>	<b>(76,404)</b>	<b>(88,512)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of units	1,141,273	775,380	95,735	94,349	92,518
Payments for redemption of units	(235,347)	(70,407)	(42,915)	(10,731)	(616)
Distributions paid	(62,663)	(18,683)	(4,446)	(6,863)	-
<b>Net cash inflow from in financing activities</b>	<b>843,263</b>	<b>686,290</b>	<b>48,374</b>	<b>76,755</b>	<b>91,902</b>
<b>Net increase in cash and cash equivalents</b>	<b>(28,849)</b>	<b>3,284</b>	<b>(76,146)</b>	<b>3,293</b>	<b>3,348</b>
Cash and cash equivalents at the beginning of the half-year	148,121	63,492	89,797	19,549	-
Effect of exchange rate fluctuations on cash and cash equivalents	90	175	13	10	12
<b>Cash and cash equivalents at the end of the half-year</b>	<b>119,362</b>	<b>66,951</b>	<b>13,664</b>	<b>22,852</b>	<b>3,360</b>

(A) Magellan High Conviction Fund (MHCF) was launched and open to external investors on 1 July 2013. Therefore no comparatives have been included in the corresponding period.

The Statements of Cash Flows are to be read in conjunction with the accompanying notes to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2013

## 1. Summary of Significant Account Policies

This interim financial report is for Magellan Global Fund (MGF), Magellan Infrastructure Fund (MIF) and Magellan High Conviction Fund (MHCF) (the “Funds”) for the six months ended 31 December 2013.

MHCF was established on 28 June 2013 and launched and open to external investors on 1 July 2013. As a result, no comparative information is included for MHCF.

### a) Basis of preparation

The interim financial report for the six-months ended 31 December 2013 is a general purpose financial report and has been prepared in accordance with AASB 134: Interim Financial Reporting, the Corporations Act 2001 and other mandatory professional reporting requirements. It is presented in Australian dollars (\$) and was approved by the Board of Directors on 20 February 2014. The Directors have the power to amend and reissue the financial report.

The Funds are for-profit unit trusts that are registered managed investment schemes under the Corporations Act 2001. In accordance with the Funds’ Constitutions, the Funds commenced on the date that the first units were issued, which was 1 July 2007 for MGF and MIF and 1 July 2013 for MHCF. MGF and MIF terminate on 1 July 2088 and MHCF on 1 July 2093 unless terminated earlier in accordance with the provisions of the Funds’ Constitution.

This interim financial report does not include all the information and disclosures normally included in the Funds’ annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2013 Annual Report.

### b) Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards and amendments which became mandatory for the first time in the interim reporting period commencing 1 July 2013.

- **AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australia Accounting Standards arising from the Consolidation and Joint Arrangements Standards**

AASB 10 Consolidated Financial Statements (issued August 2011) replaced the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements and in Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 established a new control model and broadened the situations when an entity is considered to be controlled by another entity as it focuses on the need to have both power and rights or exposure to variable returns.

AASB 11 replaced AASB 131 Interests in Joint Ventures and uses the principle of control in AASB 10. The Funds reviewed its investments and have assessed that no investments are required to be consolidated or equity accounted under AASB 10 or AASB 11 respectively. As a result, there were no adjustments in the financial statements on adoption of AASB 10 or AASB 11.

AASB 12 requires disclosures relating to the Funds’ interests in subsidiaries, joint arrangements, associates and structured entities. It introduces new disclosures about the judgements made by management to determine whether control exists and requires summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. This standard has had no impact on the type of information disclosed in the Funds’ financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2013

## 1. Summary of Significant Account Policies (continued)

- **AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13**

AASB 13 provided guidance for determining the fair value of assets and liabilities. It did not change when the Funds are required to use fair value, but, rather, provides guidance on how to determine fair value when fair value is required or permitted. It also expands the disclosure requirements for all assets or liabilities carried at fair value. The Funds reviewed their policies for measuring fair values and the application of AASB 13 has not resulted in any change in the fair value measurements of the assets and liabilities in the Funds however additional disclosures have been included in note 2.

- **AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities** (effective 1 July 2014)

AASB 2012-2 and AAASB 2012-3 amends AASB 7 Financial Instruments: Disclosures and AASB 132 Financial Instruments: Presentation requiring disclosure about rights of offset and related arrangements where financial assets and financial liabilities can be offset under contractual arrangements. The Funds did not have any offsetting arrangements and as a result there was no financial or disclosure impact on adoption of the amendments.

In addition to the above, the following accounting standard has been issued, but is not yet mandatory, and has not been adopted by the Funds for the six-months ended 31 December 2013.

- **AASB 9: Financial Instruments and AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB fund'** for classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new requirements the four current categories of financial assets will be replaced with two measurement categories: fair value and amortised cost. Financial assets will only be able to be measured at amortised cost where very specific conditions are met. At 31 December 2013, the Funds continue to evaluate the disclosure requirements of this standard however does not anticipate it will have a material financial impact as the carrying values of its investments approximate fair value.

### c) Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/100 (as amended) and amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with the Class Order, or in certain cases, the nearest dollar.

### d) Including different registered scheme financial reports in a single document

The Funds have applied Australian Securities and Investments Commission's Class Order 06/441, which allows registered schemes with a common responsible entity to include their financial statements in adjacent columns in a single financial report.

# NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2013

## 2. Investments

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan High Conviction Fund
	31 Dec 2013 \$'000	30 Jun 2013 \$'000	31 Dec 2013 \$'000	30 Jun 2013 \$'000	31 Dec 2013 \$'000
<b>a) Financial asset designated at fair value through profit or loss</b>					
<i>Equity securities</i>					
International listed equity securities	5,012,046	3,506,547	434,402	373,392	104,300
Australian listed equity and stapled securities	-	-	92,525	65,475	-
<b>Total financial assets designated at fair value through profit or loss</b>	<b>5,012,046</b>	<b>3,506,547</b>	<b>526,927</b>	<b>438,867</b>	<b>104,300</b>
<b>b) Held for trading financial assets/(liabilities)</b>					
<i>Derivatives</i>					
Foreign currency forward contracts	-	-	(891)	(25,014)	(13)
<b>Total held for trading financial assets/(liabilities)</b>	<b>-</b>	<b>-</b>	<b>(891)</b>	<b>(25,014)</b>	<b>(13)</b>
<b>Total net investments</b>	<b>5,012,046</b>	<b>3,506,547</b>	<b>526,036</b>	<b>413,853</b>	<b>104,287</b>

### Fair Value Disclosures

The Funds classify the fair value measurements of financial assets and financial liabilities using the three fair value hierarchy set out below, to reflect the source of valuation inputs used when determining the fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing bid price for the security as quoted on the relevant exchange.
- Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices). The Magellan Infrastructure Fund has foreign currency forward contracts and the fair value of these derivatives are calculated using the present value of the estimated future cash flows based on market rates (spot and forward exchange rates) at the end of the reporting period.
- Level 3: valuation techniques using non-market observable inputs.

All Australian and international equity securities held by the Funds are Level 1 assets. All foreign currency forward contracts held by the Funds are Level 2 assets. The Funds do not hold any Level 3 assets, and there have been no transfers between levels during the six months ended 31 December 2014.

# NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2013

## 3. Net assets attributable to unitholders

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan High Conviction Fund
	31 Dec 2013	30 Jun 2013	31 Dec 2013	30 Jun 2012	31 Dec 2013
	No. of units	No. of units	No. of units	No. of units	No. of units
<b>a) Units on issue</b>					
Units on issue as at beginning of year	2,344,526,411	1,133,192,364	519,298,445	280,465,759	-
Units issued during the period	724,824,878	1,360,226,850	100,369,403	274,760,539	90,007,020
Units redeemed during the period	(145,790,803)	(148,892,803)	(46,582,739)	(35,927,853)	(593,299)
<b>Units on issue at end of the half-year</b>	<b>2,923,560,486</b>	<b>2,344,526,411</b>	<b>573,085,109</b>	<b>519,298,445</b>	<b>89,413,721</b>

### Terms and conditions of units

Each unit confers upon the unitholder an equal interest in the Fund, and is of equal value to other units in the same Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Funds. The rights of unitholders are contained in the Funds' Constitutions and include:

- the right to redeem units, subject to restrictions disclosed in the Funds' Product Disclosure Statements;
- the right to receive a share of any distribution determined by the Responsible Entity in proportion to the units held on the distribution date;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Funds.

	Magellan Global Fund		Magellan Infrastructure Fund		Magellan High Conviction Fund
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>b) Changes in net assets attributable to unit holders</b>					
Opening balance	3,558,946	1,258,312	453,301	212,995	-
Applications	1,138,535	779,651	85,075	94,258	92,546
Redemptions	(232,388)	(69,691)	(42,529)	(10,671)	(616)
Reinvestment of distributions and management fee rebates	13,651	-	6,222	-	-
Distributions to unit holders	-	-	(5,215)	(1,927)	-
Increase in net assets attributable to unitholders	635,721	123,813	39,418	20,766	13,316
<b>Closing balance</b>	<b>5,114,465</b>	<b>2,092,085</b>	<b>536,272</b>	<b>315,421</b>	<b>105,246</b>

# **NOTES TO THE FINANCIAL STATEMENTS**

**for the half year ended 31 December 2013**

## **4. Related Parties**

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time, director-related entities may invest in or withdraw from the Funds. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors.

During the half-year, Magellan Financial Group Limited (MFG), a related party of the Funds, made additional investments of \$15,500,000 in MGF and also reinvested its distributions in MGF, which amounted to \$1,223,000. In July 2013, MFG seeded an investment in MHCF by way of an in-specie transfer of assets and cash totalling \$12,842,000 and an additional investment of \$4,250,000.

## **5. Contingent Assets, Liabilities and Commitments for Expenditure**

The Funds have no contingent assets or liabilities, or commitments as at 31 December 2013 (June 2013: nil).

## **6. Events Subsequent to the End of the Reporting Period**

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected, or may significantly affect, the Funds' operations in future financial years, the results of those operations, or the Funds' state of affairs in future financial years.

## DIRECTORS' DECLARATION

In the opinion of the directors of Magellan Asset Management Limited, the Responsible Entity for the Magellan Global Fund, Magellan Infrastructure Fund and Magellan High Conviction Fund (the Funds):

- (a) the financial statements and notes set out on pages 8 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Funds as at 31 December 2013 and of their performance for the half year ended on that date;
  - (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and,
- (b) there are reasonable grounds to believe that the Funds will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



**Hamish Douglass**

Director and Chief Executive Officer

Sydney

20 February 2014



# INDEPENDENT AUDITOR'S REPORT



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To the Unitholders of Magellan Global Fund, Magellan Infrastructure Fund and Magellan High Conviction Fund (the "Schemes")

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of the Schemes, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

## Directors' Responsibility for the Half-Year Financial Report

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

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Schemes' financial position as at 31 December 2012 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Schemes, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

# INDEPENDENT AUDITOR'S REPORT (continued)



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## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Schemes is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Schemes' financial position as at 31 December 2013 and of their performance for half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Graeme McKenzie  
Partner  
Sydney  
20 February 2014

# **CORPORATE INFORMATION**

## **Directors**

Hamish Douglass

Paul Lewis

Brett Cairns

## **Company Secretaries**

Leo Quintana

Nerida Campbell

## **Registered Office**

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## **Auditors & Taxation Advisers**

Ernst & Young

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Sydney NSW 2000