

Magellan High Conviction Fund

ARSN: 164 285 947

Fund Facts

Portfolio Managers	Hamish Douglass and Chris Wheldon
Structure	Global Equity Fund
Inception Date	Magellan High Conviction Fund Class A: 1 July 2013 Magellan High Conviction Fund Class B: 15 November 2017
Management Fee ¹	Magellan High Conviction Fund Class A: 1.50% per annum Magellan High Conviction Fund Class B: 0.78% per annum
Buy/Sell Spread ¹	0.07%/0.07%
Fund Size	AUD \$677.5 million
Distribution Frequency	Semi-annually
Performance Fee ¹	Magellan High Conviction Fund Class A: 10% of the excess return of the units of the Fund above the Absolute Return performance hurdle (10% per annum). Magellan High Conviction Fund Class B: 20% of the excess return of Class B Units above the Absolute Return performance hurdle (10% per annum). The performance fee for Class B Units is subject to a cap of 2.22% per annum. Performance fees are subject to a high-water mark.

¹All fees are inclusive of the net effect of GST

Fund Features

- Unconstrained, long-only, highly concentrated
- High quality global equity strategy
- High individual stock exposure – 8 to 12 stocks
- Typical cash exposure between 0% - 50%
- \$10,000 minimum initial investment.

3 Year rolling returns (measured monthly)^{^*}

Against the 10% p.a. Return Objective	1 Year	3 Years	5 Years	Since Inception
No of observations	12	36	60	63
Average excess return (% p.a.)	1.2	3.4	3.6	3.6
Outperformance consistency	75%	89%	93%	94%

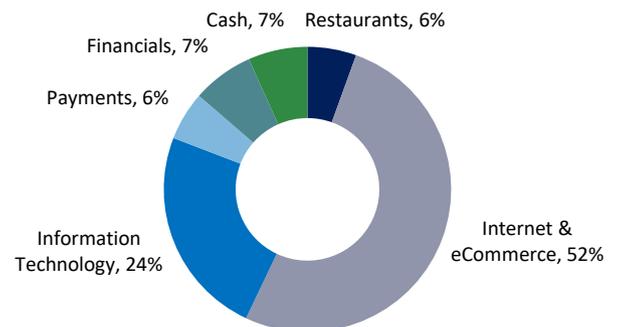
Fund Performance[^]

	Magellan High Conviction Fund - Class A (%)	Magellan High Conviction Fund - Class B (%)	Magellan Global Fund (Open Class) (Managed Fund) (%)	Magellan Global Fund (Hedged) (%)
1 Month	3.0	3.0	1.0	0.6
3 Months	12.1	11.9	9.5	4.0
1 Year	16.3	16.7	12.5	11.5
3 Years (p.a.)	11.6	11.9	11.9	10.9
5 Years (p.a.)	15.1	-	14.4	13.2
7 Years (p.a.)	15.3	-	14.8	11.7
Since Inception (p.a.)	15.5	13.1	-	-

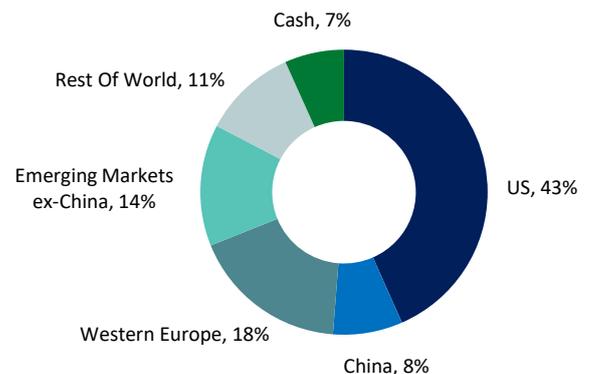
Top 5 Holdings

In alphabetical order	Sector [#]
Alphabet Inc	Internet & eCommerce
Facebook Inc	Internet & eCommerce
Microsoft Corporation	Information Technology
Netflix Inc	Internet & eCommerce
SAP SE	Information Technology

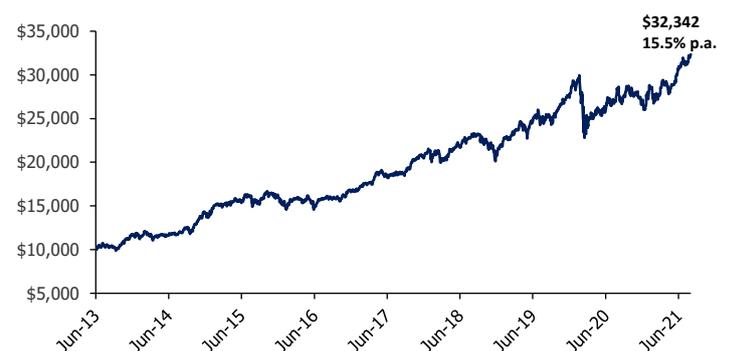
Sector Exposure by Source of Revenue[#]



Geographical Exposure by Source of Revenue[#]



Performance Chart growth of AUD \$10,000[^]


[^] 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). Fund Inception 1 July 2013. Returns denoted in AUD.

^{*} 3-year returns are calculated and rolled monthly in AUD, with the outperformance consistency indicating the percentage of positive excess returns since inception.

[#] Sectors are internally defined. Geographical exposure is calculated on a look through basis based on underlying revenue exposure of individual companies held within the portfolio. Exposures may not sum to 100% due to rounding.

Portfolio Commentary

In August, the portfolio exited its position in Tencent Holdings and initiated a new investment in Amazon.

Tencent owns numerous structurally advantaged businesses. However, we believe Tencent is operating in socially contentious areas including gaming, entertainment and social media that carry the risk of further, and potentially severe, regulatory intervention by the Chinese government. Given recent events we do not believe we can judge with any degree of certainty where the Chinese government's regulatory intervention will land and we cannot reasonably assess the impact on Tencent's future profitability. Given the potentially wide range of outcomes on the value of Tencent, we have sold the investment.

Amazon is the world's leading ecommerce and cloud-computing platform ex-China. It is developing a large advertising business leveraging its ecommerce platform, an emerging advertising-supported video-streaming business that seeks to capitalise on its large number of Prime members, and a third-party logistics business that leverages its ecommerce fulfilment infrastructure. The company's markets are large and growing rapidly. Amazon's profitability is expected to improve as its higher-margin businesses, including cloud computing and advertising, grow faster and as it gains economies of scale in relation to significant fixed costs, particularly investments in fulfilment and logistics for ecommerce. Amazon is a visionary company that is willing to make significant investments that weigh on short-term profitability but are expected to have very attractive long-term payoffs; most notably, Amazon Web Services and free shipping through its Prime membership program. Amazon is undertaking massive investment in opportunities including international ecommerce, entertainment and logistics. Amazon is an attractively priced investment based on the value of its core businesses with potentially large value creation from future initiatives including entertainment and logistics.