

Magellan High Conviction Fund

ARSN: 164 285 947

Fund Facts

Portfolio Manager	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 \$708.6 million
Distribution Frequency	Semi-annually
Performance Fee ¹	Magellan High Conviction Fund Class A: 10.0% 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.

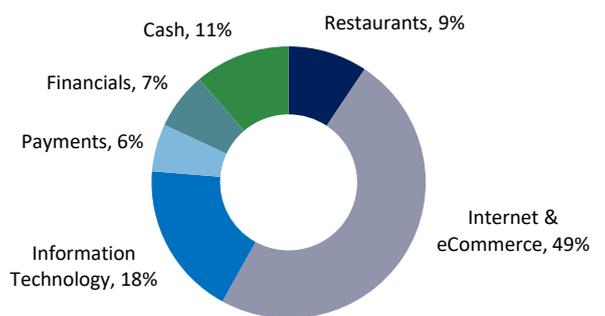
Performance Chart growth of AUD \$10,000*



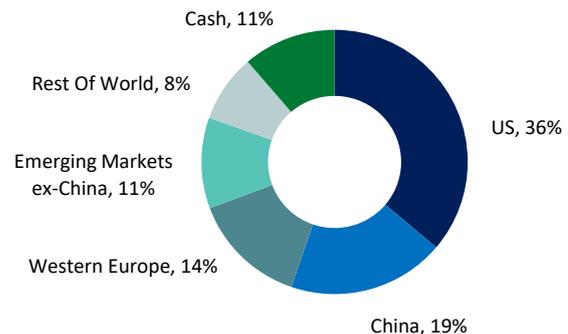
Top 5 Holdings

In alphabetical order	Sector [#]
Alibaba Group Holding Ltd	Internet & eCommerce
Alphabet Inc	Internet & eCommerce
Microsoft Corporation	Information Technology
Netflix Inc	Internet & eCommerce
Starbucks Corporation	Restaurants

Sector Exposure by Source of Revenue[#]



Geographical Exposure by Source of Revenue[#]



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	-3.2	-3.0	-3.2	0.9
3 Months	-3.0	-2.6	-4.0	2.5
6 Months	2.5	2.8	-0.7	9.3
1 Year	-2.4	-1.9	0.0	5.9
3 Years (p.a.)	9.4	9.4	12.0	10.1
5 Years (p.a.)	10.8	-	10.7	11.5
7 Years (p.a.)	12.4	-	11.9	10.6
Since Inception (p.a.)	14.0	9.4	-	-

* 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.

* 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.

Market Commentary

Global stocks soared to record highs in the December quarter after pharmaceutical companies developed a vaccine against the virus that causes the illness known as COVID-19, the Democratic party's subdued performance in the US senate appeared to rule out radical anti-business measures during the administration of president-elect Joe Biden, and US congress agreed to more fiscal stimulus. During the quarter, all 11 sectors rose. Energy (+27% in US dollars) climbed most while Consumer Staples rose least (+6.4%). The Morgan Stanley Capital International World Index soared 14% in US dollars and 5.9% in Australian currency over the quarter to give increases of 16% and 5.6% respectively for 2020.

US stocks rallied to record highs after a vaccine with 90%-plus effectiveness in achieving an immune response was announced and distributed, the election result lowered the risk of radical measures passing congress, the Federal Reserve said it would provide open-ended stimulus to help the economy, and lawmakers passed the second big fiscal package since the virus struck. These developments overcame concerns about a third wave of infections flaring up across the country and President Donald Trump's refusal to concede defeat while alleging voter fraud. The vaccine euphoria kicked off in November when Pfizer/BioNTech and Moderna announced successful phase three vaccine trials using a novel mRNA technology, while Oxford University and AstraZeneca came out with vaccines using traditional technology. In the election, the lack of a strong Democratic wave improved the outlook for profit growth because the lack of a strong showing in the senate reduced the mandate and political leeway for new laws that would reduce corporate profitability. Even though the US economy expanded at an annualised rate of 33.4% in the third quarter, more up-to-date reports showed the latest burst of infections, which took the number of Americans struck by the virus to more than 20 million, is hurting business. Retail sales, for example, fell in November, the first decline since April, while jobless claims rebounded towards year end. The S&P 500 Index added 12% over the quarter, to be up – led by Big Tech – 16% for 2020.

European stocks soared as the arrival of a vaccine, a last-minute deal that completed the procedure of the UK's departure from the EU and an agreement over the EU's budget and stimulus package overshadowed a fresh wave of infections and restrictions across the continent. In economic news, a report showed the eurozone expanded 12.5% in the third quarter, after shrinking 11.7% in the previous three months. The Euro Stoxx 50 Index rallied 11%, meaning it fell only 5.1% over 2020.

Japan's Nikkei 225 Index gained 18%, to break the previous high set in 1991, after a report showed Japan's economy expanded 5.3% in the third quarter, its first expansion in four quarters. China's CSI 300 Index rose 14% as manufacturing's 10th consecutive monthly increase in December showed the economy was coping through the pandemic. Australia's S&P/ASX 200 Accumulation Index jumped 14% after the Reserve Bank of Australia cut the cash rate to a record low 0.1% and announced it would buy A\$100 billion of long-term bonds under a quantitative easing program. The MSCI Emerging Markets Index rallied 19% in US dollars on news of the vaccine and because a lower US dollar eased the burden of emerging countries with steep US-dollar-denominated debt.

Fund Commentary

The portfolio recorded a negative return over the quarter. The biggest detractors were the investments in Alibaba Group and SAP. Alibaba dropped after 33%-owned Ant Group suspended its IPO, Chinese authorities said they would investigate the company for "suspected monopolistic conduct", key founder Jack Ma disappeared after criticising financial authorities, and the company's results for the September quarter displayed mixed results across segments. SAP dropped after Europe's largest software company lowered revenue and profits forecasts and its third-quarter result fell short of expectations as cloud revenue growth slowed.

The biggest contributors were the investments in Starbucks and Alphabet. Starbucks gained after the coffee chain, when announcing a smaller-than-expected drop in same-store sales of 9% for the fourth quarter, signalled that the worst is past. Alphabet rose after its Google subsidiary's advertising revenue showed a better-than-expected rebound from the coronavirus-triggered slump and the US election outcome reduced the risk of a crackdown on Big Tech that would ensnare Google, which is already under anti-trust scrutiny by the US Department of Justice.

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