



# INTERIM FINANCIAL REPORT

## FOR THE HALF YEAR ENDED 31 DECEMBER 2018

**MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED):** ARSN 606 840 206

# MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

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# MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

## Chairman's Report

for the half year ended 31 December 2018

Dear Unitholders,

We are pleased to present the half year financial report for Magellan Global Equities Fund (Currency Hedged) (Managed Fund) ("the Fund"). The Fund is a managed investment scheme for which Magellan Asset Management Limited ("Magellan") acts as both Responsible Entity and Investment Manager.

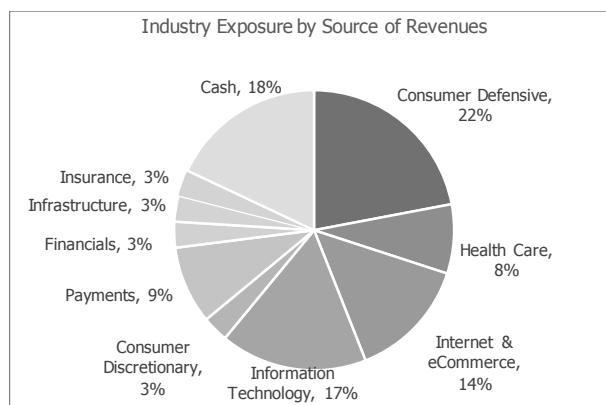
The Fund is quoted on the ASX (code: MHG) and commenced trading on 10 August 2015. As at 31 December 2018, the Fund had net assets of \$79 million and a net asset value of \$2.8978 per unit.

The Fund's portfolio is actively managed by Magellan and is the currency hedged version of the Magellan Global Equities Fund (Managed Fund) (ASX code: MGE). Magellan aims to achieve attractive risk-adjusted returns over the medium to long term for unitholders, while reducing the risk of permanent capital loss. To achieve this, the Fund invests in a portfolio of between 20 and 40 high-quality global equity stocks, as assessed by Magellan, and has the ability to manage equity market risk by holding up to 20% of its net assets in cash. Currency exposure is substantially hedged back to Australian Dollars. For the six months to 31 December 2018, the Fund returned -3.2% net of fees. This compares with the MSCI World Net Total Return Index (hedged to AUD) of -8.7% over the same period in what was a volatile market environment.

We would encourage you to read our Investor Letters and monthly and quarterly Fund Reports which provide valuable insight into our investment strategies and portfolio managers' thoughts. These are released on ASX and can also be found on our website: [www.magellangroup.com.au](http://www.magellangroup.com.au).

As at 31 December 2018, the Fund consisted of investments in 21 companies, with the top 10 investments (listed below) representing 49.5% of the Fund. The Fund's cash position was 18% which was predominantly held in Australian Dollars. The Fund's industry exposure by source of revenues is highlighted below.

Top 10 holdings (as at 31 December 2018)	% of Fund
Alphabet - class A and class C shares	6.7
Facebook - class A shares	5.5
Microsoft	5.4
Visa - class A shares	5.4
Starbucks	5.4
Apple	5.1
HCA Healthcare	4.3
Yum! Brands	4.0
Kraft Heinz	3.9
MasterCard	3.8
<b>Top 10 Total</b>	<b>49.5</b>



The following report contains relevant financial statements and information which we encourage you to read carefully.

**Brett Cairns**  
Chairman  
27 February 2019

# MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

## Responsible Entity's Report for the half year ended 31 December 2018

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Magellan Global Equities Fund (Currency Hedged) ("the Fund" or "MHG") present their report on the Fund for the half year ended 31 December 2018.

### 1.0 Directors

The following persons were Directors of MAM during the half year and up to the date of this report:

Name	Directorship	Appointed
Brett Cairns	Chairman and Chief Executive Officer	22 January 2007
Hamish Douglass	Chief Investment Officer <sup>(A)</sup>	21 November 2006
Kirsten Morton	Chief Financial Officer	5 October 2018
John Eales	Non-Executive Director	1 July 2017
Robert Fraser	Non-Executive Director and Senior Independent Director	23 April 2014
Paul Lewis	Non-Executive Director	20 December 2006
Hamish McLennan	Non-Executive Director	1 March 2016
Karen Phin	Non-Executive Director	23 April 2014

<sup>(A)</sup> On 5 October 2018, Mr Douglass resigned as a Director of MAM and was appointed Chairman of Magellan Financial Group ("MFG") the parent company of MAM. Prior to this, Mr Douglass was Chief Executive Officer of MFG. Mr Douglass remains Chief Investment Officer.

### 1.1 Principal Activity

The Fund is a registered managed investment scheme domiciled in Australia and quoted on the Australian Securities Exchange ("ASX") under the AQUA Rules (ticker code MHG). It was registered on 14 July 2015 and commenced trading on 10 August 2015.

MHG is a currency hedged version of the ASX quoted Magellan Global Equities Fund (ASX ticker code: MGE) and invests in a portfolio of between 20 and 40 high quality global equity stocks. To achieve this MAM undertakes rigorous company research to identify what it assesses to be high quality companies combined with an assessment of the macro-economic environment and a disciplined risk controlled approach to portfolio construction. The Fund has the ability to manage equity market risk by holding up to 20% of its net assets in cash and currency exposure is substantially hedged to Australian Dollars.

The Fund's investment objectives are to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy (as detailed in the current Product Disclosure Statement, issued 3 November 2018).

MAM, as Responsible Entity, is responsible for overseeing the operations of the Fund. As the Investment Manager, it is responsible for selecting and managing the assets of the Fund. In addition, the Responsible Entity, on behalf of the Fund, may also provide trading liquidity to investors on the ASX under the AQUA Rules by acting as a buyer and seller of units in the Fund. The Responsible Entity has appointed an independent market participant to act as its agent to execute its market making activities.

The Fund's principal place of business is Level 36, 19 Martin Place, Sydney, New South Wales 2000.

### 1.2 Significant Changes In State Of Affairs

There were no significant changes in the state of affairs of the Fund during the half year.

### 1.3 Distribution

No distribution was declared for the half year ended 31 December 2018 (December 2017: nil).

A distribution of 12.00 cents per unit, amounting to \$2,690,000 for the year ended 30 June 2018 was paid on 30 July 2018.

# MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

## Responsible Entity's Report for the half year ended 31 December 2018

### 1.4 Review Of Financial Results And Operations

#### a) Financial Results For The Half Year

The performance of the Fund, as represented by the results of its operations for the relevant half year ended 31 December, was as follows:

	31 December 2018	31 December 2017
<b>Results</b>		
Total net investment income (\$'000)	(2,343)	5,950
Total expenses (\$'000)	569	457
<b>Net Operating Profit/(Loss) (\$'000)</b>	<b>(2,912)</b>	<b>5,493</b>
<b>Net Asset Value ("NAV") Per Unit (\$) <sup>(A)</sup></b>	<b>2.8978</b>	<b>3.0409</b>

<sup>(A)</sup> The NAV Per Unit represents the net assets of the Fund presented in the Statement Of Financial Position at reporting date divided by the number of units on issue at reporting date (refer Note 4 and Note 6 to the financial statements).

#### b) Total Indirect Cost Ratio ("ICR")

The ICR for the six and 12 months ended 31 December, is the ratio of the Fund's actual management costs over the average portfolio value, expressed as a percentage. Management costs, accrued within the Fund's unit price on a daily basis, include management, administration and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

	6 months to 31 December 2018	6 months to 31 December 2017	12 months to 31 December 2018	12 months to 31 December 2017
<b>Indirect Cost Ratio</b>				
Management fee (%)	0.67	0.67	1.35	1.35
Performance fee (%)	0.01	0.04	0.12	0.28
<b>Total Indirect Cost Ratio (%)</b>	<b>0.68</b>	<b>0.71</b>	<b>1.47</b>	<b>1.63</b>

#### c) Performance Returns

The performance returns shown in the table below have been calculated using the NAV per unit for the Fund, which is after fees and expenses, assuming reinvestment of distributions at NAV. The returns are calculated daily, compounded to produce longer period returns.

	6 months to 31 December 2018	6 months to 31 December 2017	12 months to 31 December 2018	12 months to 31 December 2017
<b>Performance</b>				
Growth return (%) <sup>(A)</sup>	(3.2)	10.3	(4.7)	20.9
Distribution return (%) <sup>(B)</sup>	-	-	3.8	2.2
<b>Total Return (%)<sup>(C)</sup></b>	<b>(3.2)</b>	<b>10.3</b>	<b>(0.9)</b>	<b>23.1</b>

<sup>(A)</sup> The Growth return is calculated daily as a percentage by dividing the NAV per unit (ex-distribution) by the previous day's NAV per unit (ex-distribution) minus 1; the daily Growth returns are then compounded to produce longer period returns.

<sup>(B)</sup> The Distribution return is calculated as a percentage by subtracting the Growth return from the Total Return.

<sup>(C)</sup> The Total Return is calculated daily as a percentage by dividing the NAV per unit (cum-distribution) by the previous day's NAV per unit (ex-distribution) minus 1; the daily Total Returns are then compounded to produce longer period returns.

## Responsible Entity's Report for the half year ended 31 December 2018

### 1.4 Review Of Financial Results And Operations (continued)

#### c) Performance Returns (continued)

Performance fees are calculated on six monthly calculation periods ending on 30 June and 31 December of each year. The Responsible Entity's entitlement to a performance fee is dependent on the Fund exceeding both index relative and absolute return hurdles over a given calculation period, as well as exceeding the applicable high watermark and an overall cap. Performance fees crystallise at the end of a calculation period. Further details of the performance fees can be found in the Fund's Product Disclosure Statement which is available at [www.magellangroup.com.au](http://www.magellangroup.com.au).

#### d) Strategy And Future Outlook

The Fund's investment objective is unchanged. The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Therefore, investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. The Fund provides monthly fund updates, quarterly portfolio disclosure and annual investor reports which can be found in the Fund Updates section of the Magellan Financial Group Limited website, [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website. The Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

### 1.5 Interest In The Fund

The movement in units on issue in the Fund is disclosed in Note 4 a) to the financial statements.

As at reporting date, total unitholders' equity of the Fund was \$79,327,000 (June 2018: \$67,201,000).

### 1.6 Likely Developments And Expected Results Of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the Product Disclosure Statement. The method of operating the Fund is not expected to change in the foreseeable future however the results of the Fund's operations may be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and past returns should not be used to predict future returns.

### 1.7 Events Subsequent To The End Of The Half Year

In a release to the ASX on 7 February 2019, the Fund reported a NAV per unit of \$3.0727 and 27,922,658 units on issue as at 31 January 2019.

Other than the items disclosed throughout this Interim Financial Report and the above there have been no matters or circumstances arising after the end of the half year that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future financial years. Asset prices move daily and daily unit prices are available on the Magellan Financial Group Limited website, [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website.

### 1.8 Rounding Of Amounts

The Fund is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and consequently amounts in the Responsible Entity's Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

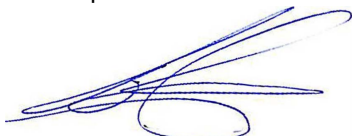
# Responsible Entity's Report

for the half year ended 31 December 2018

**1.9 Auditor**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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



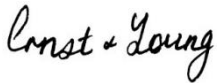
**Brett Cairns**  
Chairman

Sydney, 27 February 2019

## **Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as the Responsible Entity of Magellan Global Equities Fund (Currency Hedged)**

As lead auditor for the review of Magellan Global Equities Fund (Currency Hedged) for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Rita Da Silva  
Partner  
27 February 2019



## MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

# Statement Of Profit Or Loss And Comprehensive Income

for the half year ended 31 December 2018

	Note	31 December 2018 \$'000	31 December 2017 \$'000
<b>Investment Income</b>			
Dividend and distribution income		421	324
Interest income		88	37
Net change in fair value of investments		(2,865)	5,585
Net gains/(losses) on foreign currency cash, settlements and derivative contracts		13	4
<b>Total Net Investment Income</b>		<b>(2,343)</b>	<b>5,950</b>
<b>Expenses</b>			
Management and administration fees		499	387
Performance fees		5	20
Settlement processing fees		3	3
Brokerage costs		2	2
Withholding tax on dividends		60	45
<b>Total Expenses</b>		<b>569</b>	<b>457</b>
<b>Net Operating Profit/(Loss)</b>		<b>(2,912)</b>	<b>5,493</b>
<b>Finance Costs Attributable To Unitholders</b>			
(Increase)/decrease in net assets attributable to unitholders	1 b)	-	(5,493)
<b>Profit/(Loss) For The Half Year</b>		<b>(2,912)</b>	<b>-</b>
Other comprehensive income for the half year		-	-
<b>Total Comprehensive Income For The Half Year</b>		<b>(2,912)</b>	<b>-</b>
<b>Basic Earnings Per Unit (Cents Per Unit)</b>	5	(12.25)	-
<b>Diluted Earnings Per Unit (Cents Per Unit)</b>	5	(12.25)	-

The above Statement Of Profit Or Loss And Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

## MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

# Statement Of Financial Position

as at 31 December 2018

	Note	31 December 2018 \$'000	30 June 2018 \$'000
<b>Assets</b>			
Cash and cash equivalents		15,267	13,404
Receivables		553	2,072
Investments	3 a)	65,480	56,463
<b>Total Assets</b>		<b>81,300</b>	<b>71,939</b>
<b>Liabilities</b>			
Derivative liabilities	3 b)	1,872	1,875
Payables		101	173
Distribution payable		-	2,690
<b>Total Liabilities</b>		<b>1,973</b>	<b>4,738</b>
<b>Total Unitholders' Equity</b>		<b>79,327</b>	<b>67,201</b>

The above Statement Of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

## MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

# Statement Of Changes In Equity

for the half year ended 31 December 2018

	31 December 2018 \$'000	31 December 2017 \$'000
<b>Unitholders' Equity At Beginning Of The Half Year<sup>(A)</sup></b>	67,201	-
Transactions with unitholders in their capacity as owners:		
Units issued	19,281	-
Units issued under distribution reinvestment plan (DRP)	883	-
Units redeemed	(5,126)	-
Distributions paid and payable	-	-
Total transactions with unitholders	15,038	-
Comprehensive income for the half year:		
Profit/(loss) for the half year	(2,912)	-
Other comprehensive income	-	-
Total comprehensive income for the half year	(2,912)	-
<b>Total Unitholders' Equity At End Of The Half Year</b>	<b>79,327</b>	<b>-</b>

<sup>(A)</sup> Effective from 30 June 2018, units in the Fund were reclassified from financial liability to equity. Refer to Note 1 b) for further detail.

The above Statement Of Changes In Equity should be read in conjunction with the accompanying notes to the financial statements.

## MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

# Statement Of Cash Flows

for the half year ended 31 December 2018

	31 December 2018 \$'000	31 December 2017 \$'000
<b>Cash Flows From Operating Activities</b>		
Dividends and distributions received (net of withholding tax)	363	280
Interest received	84	38
Management, administration and performance fees paid	(568)	(492)
Settlement processing fees paid	(3)	(3)
Other expenses paid	(5)	(5)
<b>Net Cash Inflows/(Outflows) From Operating Activities</b>	<b>(129)</b>	<b>(182)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(18,112)	(13,825)
Proceeds from sale of investments	11,025	8,947
Net foreign exchange gains/(losses)	78	-
Cash flows from settlement of foreign exchange contracts	(2,996)	1,192
<b>Net Cash Inflows/(Outflows) From Investing Activities</b>	<b>(10,005)</b>	<b>(3,686)</b>
<b>Cash Flows From Financing Activities</b>		
Receipts from issue of units	18,934	8,528
Payments for redemption of units	(5,126)	(5,360)
Distributions paid	(1,807)	(922)
<b>Net Cash Inflows/(Outflows) From Financing Activities</b>	<b>12,001</b>	<b>2,246</b>
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>	<b>1,867</b>	<b>(1,622)</b>
Cash and cash equivalents at the beginning of the half year	13,404	8,229
Effect of exchange rate fluctuations on cash and cash equivalents	(4)	(1)
<b>Cash And Cash Equivalents At The End Of The Half Year</b>	<b>15,267</b>	<b>6,606</b>

The above Statement Of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

# MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

## Notes To The Financial Statements

for the half year ended 31 December 2018

### Overview

This condensed interim financial report is for Magellan Global Equities Fund (Currency Hedged) ("the Fund") for the half year ended 31 December 2018.

The Fund is a registered managed investment scheme under the *Corporations Act 2001* and is admitted to trading status on the ASX under the AQUA Rules. The Fund was registered on 14 July 2015 and in accordance with the Fund's Constitution, commenced on the date that the first unit was issued, which was 10 August 2015. The Fund terminates on the day immediately preceding the 80th anniversary of the date of commencement, unless terminated earlier in accordance with the Fund's Constitution.

Magellan Asset Management Limited (ABN 31 120 593 946) is the Responsible Entity of the Fund.

The Fund is considered a for-profit unit trust for the purpose of this interim financial report.

### 1. Basis Of Preparation

The condensed interim financial report is a general purpose financial report and has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001*, other mandatory professional reporting requirements and the Fund's Constitution. It is presented in Australian Dollars (\$) and was approved by the Directors of the Responsible Entity on 27 February 2019. The Directors have the power to amend and reissue this financial report.

The Statement Of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss. These fair value assets and liabilities comprise mainly investments that are managed based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. Consequently, the investments that may be realised within 12 months cannot be determined at reporting date.

The condensed interim financial report does not include all the information and disclosures normally included in the annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2018 Annual Report and any public announcements made during the half year.

#### a) Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new standards effective as of 1 July 2018 that are described in Note 1 c). The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### b) Adoption Of Attribution Managed Investment Trust ("AMIT") Regime

On 5 May 2016, a new tax regime applying to Managed Investment Trusts was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The AMIT regime allows Managed Investment Trusts that meet certain requirements to make an irrevocable choice to be an AMIT. The Fund elected into the AMIT regime effective 30 June 2018.

Whilst the intention of the Responsible Entity with respect to distributions has not changed as a result of adopting AMIT, the contractual wording in the Fund's Constitution no longer gives rise to an obligation, for accounting purposes, to distribute income to unitholders.

As a consequence, at 30 June 2018, the units in the Fund met the definition of equity under AASB 132. This resulted in the reclassification of units from financial liability to equity in the Statement Of Financial Position on 30 June 2018.

## Notes To The Financial Statements

for the half year ended 31 December 2018

### 1. Basis Of Preparation (continued)

#### c) New And Amended Accounting Standards And Interpretations Effective 1 July 2018

The Fund applied, for the first time from 1 July 2018, AASB 9: *Financial Instruments* ("AASB 9") and AASB 15: *Revenue from Contracts with Customers* ("AASB 15") that require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

##### • **AASB 9: *Financial Instruments***

AASB 9 contains new requirements for the 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 have been replaced with two measurement categories: fair value and amortised cost, and financial assets will only be measured at amortised cost where very specific conditions are met. AASB 9 also included new hedge accounting requirements and an expected-loss impairment model that requires credit losses to be recognised on a more timely basis.

There was no material impact on the Fund upon adoption of AASB 9 on 1 July 2018 as the Fund currently classifies financial assets and financial liabilities at fair value through profit or loss or amortised cost, and the Fund does not apply hedge accounting.

##### • **AASB 15: *Revenue From Contracts With Customers***

AASB 15 superseded AASB 118: *Revenue*. Although AASB 15 is principles-based, it is a significant change from the previous revenue requirements and involves more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaced the previous notion of risk and rewards.

There was no impact on the Fund upon adoption of AASB 15 on 1 July 2018 as the Fund's revenue recognition of interest, dividend and distribution income, investment gains/(losses) and foreign exchange gains/(losses) was unaffected as these items are excluded from the scope of AASB 15.

Several other amendments and interpretations apply for the first time in the interim reporting period commencing 1 July 2018, but did not result in any adjustments to the amounts recognised in the financial statements or disclosures.

#### d) Accounting Policy For Receivables Effective From 1 July 2018

Receivables comprise amounts due from brokers for sales of assets and applications for units in the Fund unsettled at the end of the reporting period, dividends and trust distributions declared but not yet received, and reclaimable taxes. They are recognised and carried at amortised cost using the effective interest rate method, and adjusted for changes in foreign exchange rates where applicable, less a provision for expected credit losses. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The Fund applies the simplified approach for trade receivables whereby the loss allowance is based on lifetime expected credit losses at each reporting date.

#### e) Rounding Of Amounts

All amounts in the financial statements are rounded to the nearest thousand dollars (\$'000) or in certain cases, the nearest dollar, unless otherwise stated in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

#### f) Critical Accounting Estimates And Judgements

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at reporting date. Fair values may however move materially with movements in market prices (refer to Note 3 c) for further detail). As most investments are valued with reference to the listed quoted prices and the Fund's cash is held with strongly rated financial institutions, the Fund's financial assets are not subject to significant judgement or complexity nor are the Fund's liabilities.

## MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

# Notes To The Financial Statements

for the half year ended 31 December 2018

### 2. Distributions To Unitholders

No distribution was declared for the half year ended 31 December 2018 (December 2017: nil).

A distribution of 12.00 cents per unit, amounting to \$2,690,000 for the year ended 30 June 2018 was paid on 30 July 2018.

### 3. Investments

	31 December 2018 \$'000	30 June 2018 \$'000
<b>a) Investments</b>		
International listed equity securities		
- United States	55,838	48,199
- Switzerland	5,398	4,149
- Germany	2,360	2,268
- United Kingdom	1,884	1,847
<b>Total Investments</b>	<b>65,480</b>	<b>56,463</b>
<b>b) Derivative Liabilities</b>		
Forward foreign currency contracts	1,872	1,875
<b>Total Derivative Liabilities</b>	<b>1,872</b>	<b>1,875</b>

The equity securities by domicile of primary stock exchange listing held by the Fund are:

Company Name	Domicile Of Principal Exchange Listing	31 December 2018 \$'000	30 June 2018 \$'000
Alphabet - class C shares	United States	4,603	4,134
Facebook - class A shares	United States	4,353	4,512
Microsoft	United States	4,299	2,559
Visa - class A shares	United States	4,265	3,570
Starbucks	United States	4,251	2,886
Apple	United States	4,087	3,493
HCA Healthcare	United States	3,377	2,338
Yum! Brands	United States	3,138	2,262
Kraft Heinz	United States	3,073	3,725
MasterCard	United States	3,025	2,608
Oracle	United States	3,024	2,169
Lowe's Co	United States	2,855	3,426
Novartis	Switzerland	2,725	2,013
Nestle	Switzerland	2,673	2,136
Crown Castle	United States	2,540	2,093
SAP	Germany	2,360	2,268
Wells Fargo	United States	2,358	3,054
McDonald's	United States	2,324	1,714
Berkshire Hathaway Inc	United States	2,132	-
Reckitt Benckiser	United Kingdom	1,884	1,708
eBay	United States	1,441	1,537
Alphabet - class A shares	United States	693	604
Costco Wholesale	United States	-	1,515
Lloyds Banking Group	United Kingdom	-	139
<b>Total Equity</b>		<b>65,480</b>	<b>56,463</b>

# MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

## Notes To The Financial Statements for the half year ended 31 December 2018

### 3. Investments (continued)

#### c) Fair Value Disclosures

The Fund classifies the fair value measurements of financial assets and financial liabilities using the three level 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 level 1 securities is based on the closing price<sup>(A)</sup> 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 fair value of derivatives is based on a discounted cash flow analysis using quoted market inputs (spot and forward rates, volatility) adjusted for specific features of the instruments and applied debit and credit valuation adjustments based on the Fund's or the derivative counterparties' current credit worthiness.
- Level 3: valuation techniques using non-market observable inputs.

<sup>(A)</sup> Prior to 1 July 2018, the fair value of these investments was based on closing bid prices. The impact of the change was not material.

The following table presents the fair value measurement hierarchy of the Fund's financial assets and financial liabilities:

	31 December 2018 \$'000	30 June 2018 \$'000
<b>Financial Assets Measured At Fair Value</b>		
Level 1: Investments - valued using quoted price <sup>(A)</sup>	65,480	56,463
<b>Total Financial Assets Measured At Fair Value</b>	<u>65,480</u>	<u>56,463</u>
<b>Financial Liabilities Measured At Fair Value</b>		
Level 2: Forward foreign currency contracts	1,872	1,875
<b>Total Financial Liabilities Measured At Fair Value</b>	<u>1,872</u>	<u>1,875</u>

<sup>(A)</sup> All Australian and international equity securities held by the Fund are level 1 assets.

The Fund does not hold any level 3 assets. There have been no transfers between any of the three levels in the hierarchy during the half year and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period.



# MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

## Notes To The Financial Statements

for the half year ended 31 December 2018

### 4. Unitholders' Equity

	31 December 2018 (A) No. of units '000	30 June 2018 (B) No. of units '000
<b>a) Units On Issue</b>		
Opening balance - 1 July	22,454	19,532
Units issued	6,320	5,375
Units issued under DRP	286	19
Units redeemed	(1,686)	(2,472)
<b>Total Units On Issue</b>	<b>27,374</b>	<b>22,454</b>

(A) Comprises six months from 1 July 2018 to 31 December 2018.

(B) Comprises 12 months from 1 July 2017 to 30 June 2018.

Prior to 30 June 2018, units in the Fund were classified as net assets attributable to unitholders and presented as financial liabilities in the Statement Of Financial Position in accordance with AASB 132. On 30 June 2018, the Fund elected into the AMIT regime and as a consequence the Fund's units were reclassified from a financial liability to equity from 30 June 2018 (refer Note 1 b)). As a result, the net assets attributable to unitholders of the Fund were reduced to nil on 30 June 2018.

#### 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 Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Fund. The rights of unitholders are contained in the Fund's Constitution and include:

- the right to receive a distribution determined in accordance with the provisions of the Fund's Constitution;
- the right to attend and vote at meetings of unitholders;
- the right to participate in the termination and winding up of the Fund; and
- the right to redeem units, subject to restrictions disclosed in the Fund's Product Disclosure Statement. Those restrictions may include where trading in units on the ASX are suspended for five consecutive business days. In this case, unitholders may apply to the Responsible Entity to make an off-market withdrawal of their investment from the Fund when the Fund is liquid. Where the Fund ceases to be liquid, units may only be withdrawn once an offer is made to all investors in the Fund in accordance with the Fund's Constitution.

There may be other circumstances where off-market withdrawals from the Fund are suspended for up to 28 days, including where:

- a) it is impracticable for the Responsible Entity, or the Responsible Entity is unable, to calculate the net asset value ("NAV") of the Fund;
- b) the payment of withdrawal proceeds involves realising a significant portion of the Fund's assets which would, in the Responsible Entity's opinion, result in remaining investors bearing a disproportionate amount of capital gains tax or expenses, or suffering any other disadvantage or diminution of the value of units held;
- c) the Responsible Entity reasonably considers it would be in the interests of investors, or it is otherwise permitted by law; or
- d) the Responsible Entity receives withdrawal requests of an aggregate value that in its reasonable estimate exceeds 5% of the Fund's assets.

There are no separate classes of units and each unit in the Fund has the same rights attaching to it as all other units of the Fund.

# MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

## Notes To The Financial Statements

for the half year ended 31 December 2018

### 5. Earnings Per Unit ("EPU")

	31 December 2018 (A)	31 December 2017
<b>Basic EPU</b>		
Profit/(loss) attributable to unitholders (\$'000)	(2,912)	-
Weighted average number of units for basic EPU ('000)	23,773	-
<b>Basic EPU (Cents)</b>	(12.25)	-
<b>Diluted EPU</b>		
Profit/(loss) attributable to unitholders (\$'000)	(2,912)	-
Weighted average number of units for diluted EPU ('000)	23,773	-
<b>Diluted EPU (Cents)</b>	(12.25)	-

(A) Effective 30 June 2018, the units have been reclassified from financial liability to equity (refer to Note 1 b) for further detail).

As the Fund has no potential, dilutive units, basic and diluted EPU are equal.

### 6. NAV Per Unit

The NAV per unit represents the net assets of the Fund presented in the Statement Of Financial Position at reporting date divided by the number of units on issue at reporting date (refer Note 4).

	31 December 2018 \$	30 June 2018 \$
NAV per unit	2.8978	2.9928 <sup>(A)</sup>

(A) The NAV per unit at 30 June 2018 differs from the NAV per unit of \$2.9945 reported to the ASX on 2 July 2018 due to the following:

- the Fund's investments were valued by reference to the quoted market bid price at reporting date, in accordance with AASB 13 *Fair Value Measurement*. For unit pricing purposes, the investments were valued using the last quoted price (refer Note 3 c).
- accruals for fees and minor expenses of the Fund.

### 7. Contingent Assets, Contingent Liabilities And Commitments

The Fund has no contingent assets, contingent liabilities or commitments at 31 December 2018 (June 2018: nil).

### 8. Events Subsequent To The End Of The Half Year

In a release to the ASX on 7 February 2019, the Fund reported a NAV per unit of \$3.0727 and 27,922,658 units on issue as at 31 January 2019.

Other than the items disclosed throughout this Interim Financial Report and the above there have been no matters or circumstances arising after the end of the half year that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future financial years. Asset prices move daily and daily unit prices are available on the Magellan Financial Group Limited website, [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website.

## MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

# Directors' Declaration

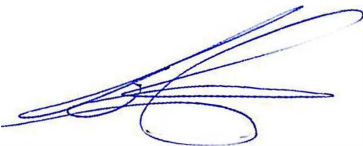
for the half year ended 31 December 2018

In the opinion of the Directors,

- a) the financial statements and notes of Magellan Global Equities Fund (Currency Hedged) as set out on pages 9 to 18 are in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the financial position of the Fund as at 31 December 2018 and of its performance as represented by the results of its operations and cash flows for the half year ended on that date; and
  - 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 Fund will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations from the Chief Executive Officer and Chief Financial Officer which mirror section 295A of the *Corporations Act 2001* and are recommended by the ASX Corporate Governance Principles and Recommendations.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.



**Brett Cairns**  
Chairman

27 February 2019

## Independent Auditor's Review Report to the Unitholders of Magellan Global Equities Fund (Currency Hedged)

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Magellan Global Equities Fund (Currency Hedged) (the "Fund"), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### 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 control as the directors determine is 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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2018 and its financial 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 Fund, 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*.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva' in a cursive style.

Rita Da Silva  
Partner  
Sydney  
27 February 2019

## Corporate Information

### **Directors Of The Responsible Entity**

Brett Cairns (Chairman and Chief Executive Officer)

Kirsten Morton (Chief Financial Officer)

John Eales

Robert Fraser

Paul Lewis

Hamish McLennan

Karen Phin

### **Company Secretary Of The Responsible Entity**

Geoffrey Stirton

### **Registered Office**

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### **Auditor**

Ernst & Young

200 George Street

Sydney NSW 2000

### **Unit Registrar**

LINK Market Services Limited

Level 12

680 George Street NSW 2000

Telephone: 1800 206 847

Fax: +61 2 9287 0303

Email: [magellan@linkmarketservices.com.au](mailto:magellan@linkmarketservices.com.au)

### **Securities Exchange Listing**

Australian Securities Exchange

ASX Code: MHG

### **Website**

<http://www.magellangroup.com.au>