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Magellan Financial Group Limited

2014 Interim Results Presentation

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MAGELLAN
FINANCIAL GROUP LIMITED

Magellan Financial Group Overview

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As at 31 December 2013:

- \$21.4 billion in funds under management (\$14.7 billion at 30 June 2013).
- 62 total staff (58 at 30 June 2013).

For the half year ending 31 December 2013:

- Strong balance sheet with net assets of \$182.0 million (\$153.0 million at 30 June 2013).
- Net profit after tax \$36.1 million (\$15.2 million for the half year ending 31 Dec 2012).
- EPS of 21.3 cents per share¹ (9.3¹ cents per share for the half year ending 31 Dec 2012).
- Dividend per share 16.5 cents (5.0 cents for the half year ending 31 Dec 2012)

¹ Fully diluted.

Magellan Financial Group Overview

- Two business activities
 - Magellan Asset Management (Funds Management Business)
 - Principal Investments
- Dividend policy 75%-80% of underlying profit of funds management segment, subject to franking credits
- Interim dividend brought forward by 1 month (10 March 2014)
- Theoretical capacity of our global equities and infrastructure strategies – US\$50 billion
- Offshore Banking Unit (OBU)
 - Declared an OBU on 31 July 2013
 - Assessable offshore banking income subject to a concessional tax rate of 10%. (under current legislation)
 - Effective tax rate for the 6 months to 31 December 2013 is 25.6%
 - Offshore institutional global equity FUM is 50% of Total FUM at 31 Dec 2014 and 26% of management fees for 6 months to 31 Dec 2013.

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Funds Management Business

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\$ million	31 Dec 2013	31 Dec 2012	% change
Revenue			
Management fees	59.4	19.2	210%
Performance fees	1.9	5.8	-67%
Service fees	1.4	-	n.a.
Consulting fees ¹	-	0.6	n.a.
Interest/other income	0.4	0.2	140%
	63.1	25.8	145%
Expenses			
Employee expense	11.8	8.1	47%
US Marketing/consulting fees ²	1.5	-	n.a.
Other expense	5.0	3.0	65%
	18.3	11.1	66%
Profit before tax	44.8	14.7	205%

Key Statistics

	31 Dec 2013	31 Dec 2012	% change
Avg. Number of Employees	57	48	19%
Employee expense/total expense	64.4%	72.7%	
Cost/Income	29.0%	42.9%	
Cost/Income (excl performance fees)	29.9%	55.4%	
Average Funds Under Management	18,022	4,969	263%

¹ The arrangement under which consulting fees are received expired on 30 June 2013.

² Pursuant to the agreement, Frontier Partners is entitled to receive 25% of net management fees from Frontegra MFG Funds and 20% of management fees from institutional mandates with clients in North America.

Funds Under Management Summary

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	31 Jan 2014	31 Dec 2013	30 June 2013	30 June 2012
\$ million				
Retail	5,902	5,917	4,542	1,750
Institutional				
- Australia/NZ	2,911	2,826	2,424	1,924
- North America	4,556	4,786	2,891	306
- Rest of World	7,876	7,841	4,838	26
	15,343	15,453	10,153	2,256
Total FUM	21,245	21,370	14,695	4,006
%				
Retail	28%	28%	31%	44%
Institutional				
- Australia/NZ	14%	13%	16%	48%
- North America	21%	22%	20%	7%
- Rest of World	37%	37%	33%	1%
	72%	72%	69%	56%
Total FUM	100%	100%	100%	100%
Breakdown of Funds Under Management (\$ million)				
-Global Equities	17,370	17,625	12,088	2,357
-Infrastructure Equities	3,875	3,745	2,607	1,649

Retail Business

- Total Retail FUM is \$5.9 billion at 31 December 2013 (30 June 2013: \$4.5 billion)
- Total Net Retail Inflows for the 6 months to 31 Dec 2013: \$1.2 billion (6 months to 31 Dec 2012 was \$0.8 billion)
- **Average Retail Monthly Net Inflows:**

Calendar Year Ending	Magellan Global Fund ¹ (\$million)	Total Retail (\$million)
2008	0.9	3.4
2009	10.3	13.1
2010	21.9	26.5
2011	36.1	39.6
2012	97.1	102.1
2013	158.8	179.0
6 months to 31 Dec 2013	166.2	197.9

¹ Includes Colonial First State Magellan Global Option from April 2011

Retail Business

- Three new funds launched for Australian and New Zealand Investors on 1 July 2013
 - Magellan Global Fund (Hedged)
 - Magellan Infrastructure Fund (Unhedged) and
 - Magellan High Conviction Fund.

- Magellan High Conviction Fund
 - Unconstrained, highly concentrated, high quality global equity strategy
 - Available on platforms – Macquarie Wrap, BT Wrap, Net Wealth, MLC Wrap, Asgard, FNZ Platform and FirstWrap.
 - FUM as at 31 December 2013 is \$106 million.

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Retail Business - Investment Performance

Retail Investment Performance at 31 December 2013

	1 Year	3 Years p.a.	5 Years p.a.	Since Inception p.a.
Magellan Global Fund	48.7%	24.5%	16.1%	11.0%
MSCI World NTR Index(\$A)	47.0%	16.7%	9.4%	1.9%
Excess	1.7%	7.8%	6.7%	9.1%
Magellan Infrastructure Fund	17.8%	14.7%	15.9%	5.4%
UBS Dev Infra & Utilities NTR Index Hedged (\$A)	18.5%	10.6%	9.5%	3.0%
Excess	-0.7%	4.1%	6.4%	2.4%
Magellan High Conviction Strategy¹	51.3%	-	-	51.3%

¹ 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). Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007 and the Magellan High Conviction Strategy is 1 January 2013.

Source: MSCI, UBS, Magellan Asset Management

Retail Business - Global Equity Peer Comparison

Global Equity Peer Comparison at 31 December 2013

	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Platinum International Brands	31.1%	14.6%	18.1%
Magellan Global	48.7%	24.5%	16.1%
IFP Global Franchise Fund	41.0%	21.3%	13.3%
MFS Global Equity Trust	49.5%	20.4%	12.1%
Fidelity Global Equities	43.2%	15.0%	11.6%
Platinum International	47.2%	14.0%	11.0%
MSCI WORLD NET TR (\$A)	47.0%	16.7%	9.4%
T. Rowe Price Global Equity	38.8%	12.6%	9.3%
DWS Global Equity Thematic	41.2%	12.2%	9.2%
Walter Scott Global Equity	38.5%	15.7%	9.1%
Zurich Investments Global Thematic	36.0%	12.9%	7.2%
AMP Capital W Global Equity Growth	40.3%	11.8%	6.2%

Source: MSCI, Morningstar

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Distribution Opportunities – Institutionally aligned advice

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- Magellan has a high penetration of the independent advice market
- Independent advice represents:
 - 16% of the 16,000 active financial advisers in Australia
 - Approximately, \$100 billion of funds under advice
- Approximately \$530 billion of funds under advice is institutionally aligned
- Working on plans to further penetrate institutionally aligned advice market

Statistics sourced from CoreData

Distribution Opportunities – Direct SMSFs

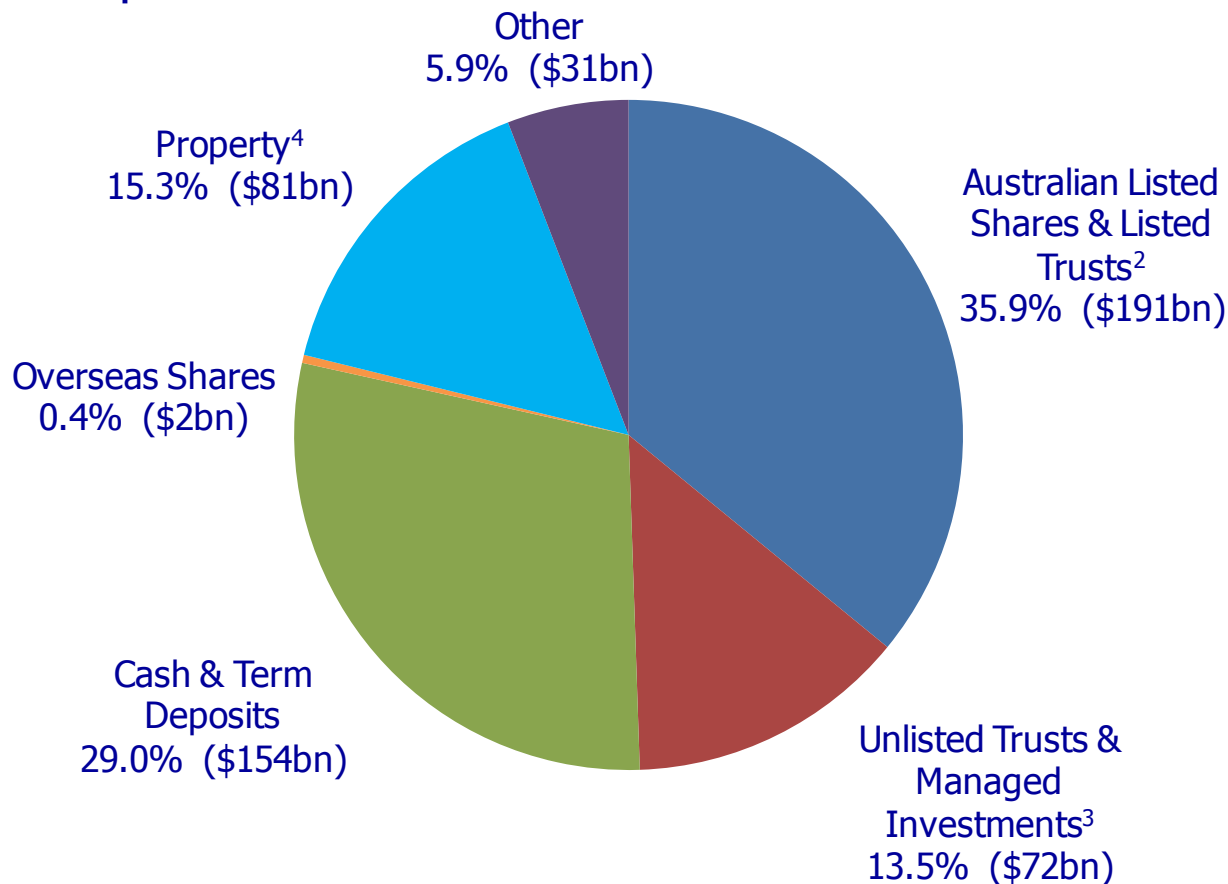
As at 30 September 2013

- Over \$530 billion SMSF assets
- Large proportion self directed
- 36% in Australian listed shares and trusts (\$191 billion)
- Unlisted and Managed funds represent 13.5% of SMSF assets (\$72 billion)
- High level of complexity required for SMSF's buying units in managed funds
- We are currently competing for a small portion of SMSF assets.

Data sourced from ATO Self Managed Super Funds A Statistical Overview September 2013

Distribution Opportunities – SMSFs

SMSFs at 30 September 2013¹



¹ ATO Self Managed Super Funds A Statistical Overview September 2013. Assets provided by the ATO has been grouped.

² Australian Listed Shares and Listed Trusts refers to Shares and Trusts that are traded on Australian stock exchange.

³ Unlisted Trusts & Managed Investments refers to Shares and Trusts that are either registered or located in Australia and overseas.

⁴ Property refers to both directly owned residential and non residential property in Australian and overseas

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Institutional Business

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Total institutional FUM is \$15.5 billion at 31 December 2013 (30 June 2013:\$10.1 billion)

- Global equities \$12.0 billion
- Infrastructure \$3.5 billion

Net inflows for the 6 months ending 31 December 2013: was \$3.5 billion

Australia/New Zealand:

- FUM is \$2.8 billion at 31 December 2013 (30 June 2013: \$2.4 billion).

North America:

- FUM is \$4.8 billion at 31 December 2013 (30 June 2013: \$2.9 billion).
- Net inflows of \$1.3 billion for the 6 months to 31 Dec 2013.
- 2 new global equity mandates.

Institutional Business (continued)

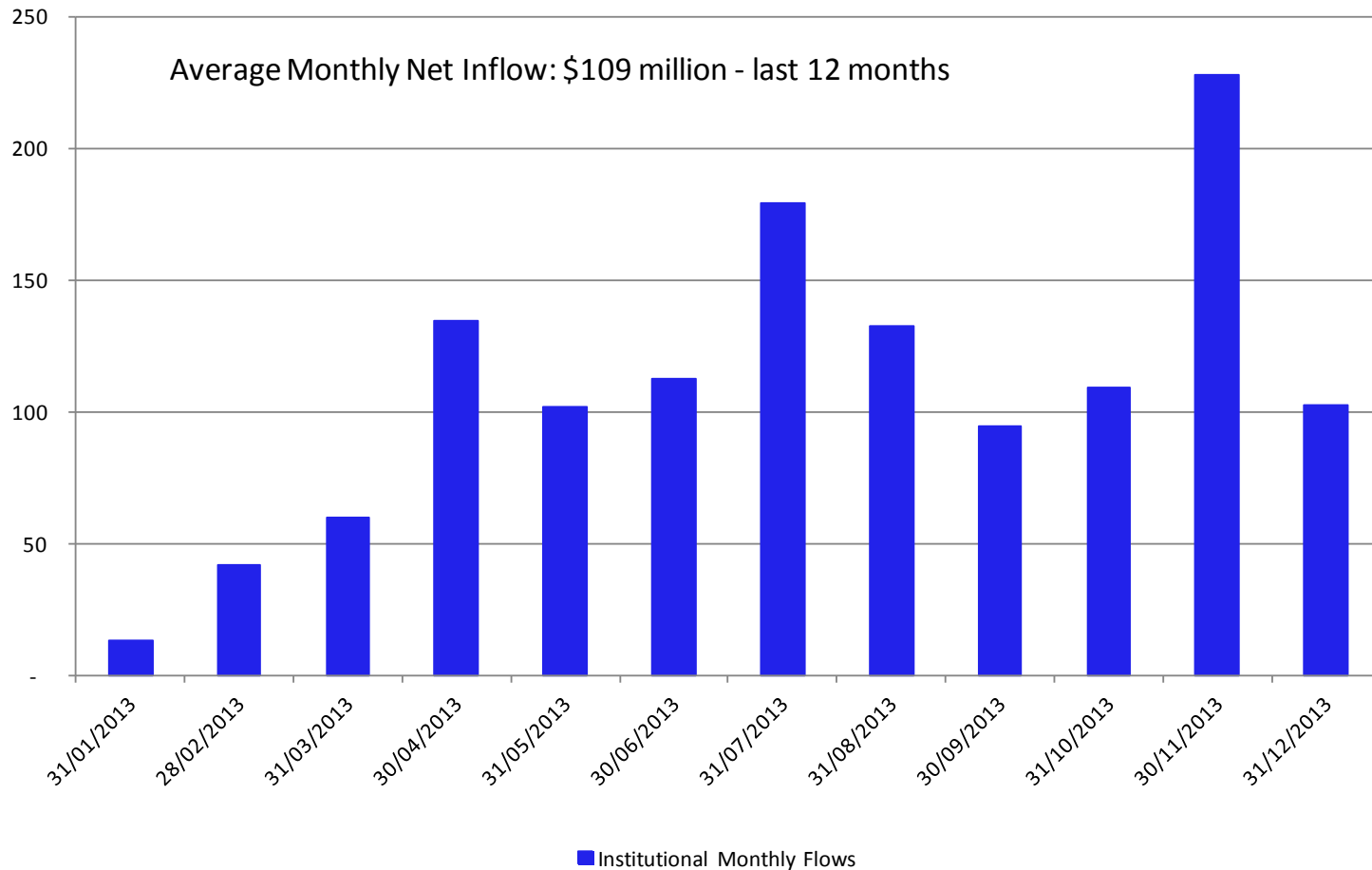
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➤ UK:

- FUM is \$7.4 billion at 31 December 2013 (30 June 2013: \$4.8 billion).
- Net inflows of \$1.8 billion for the 6 months to 31 Dec 2013.
- 1 new global equity mandate
- St. James's Place continues to grow, \$4.6 billion at 31 December 2013 (30 June 2013: \$3.7 billion).
- UK Core Infrastructure Fund (in partnership with FTSE and Magellan) strong inflows with FUM of \$1.9 billion at 31 December 2013.
- MFG Global Fund (a UCITS fund offered to institutional clients), client inflows commencing from October 2013, \$0.7 billion at 31 December 2013.

Institutional Business (continued)

Regular Monthly Institutional Net Inflows - Global Equity¹



¹ Separate accounts with regular monthly inflows which Includes St James's Place , Frontegra MFG Global Equity Fund (a US Mutual Fund), MFG Global Fund (UCITS) and 3 other undisclosed accounts. The flows excludes the first month during initial seeding.

Principal Investments

- Principal Investments include investments in Magellan Funds, listed shares, a small number of unlisted investments and surplus cash after allowing for the Group's working capital requirements.
- Board set a pre-tax hurdle 10% p.a. (over business cycle) for the Principal Investments.
- **Investment Returns:**

Time Period	Return
6 months to 31 Dec 2013	15.5%
12 months to 31 Dec 2013	41.9%
1 July 2007 to 31 Dec 2013 p.a. ¹	9.7%
1 Jan 2007 to 31 Dec 2013 p.a.	5.7%

¹ Return excludes investment in Magellan Flagship Fund.

Principal Investments (continued)

Investment (\$ million)	31 Dec 2013	30 June 2013
Cash	0.2	0.4
Magellan Unlisted Funds ^(A)	120.9	73.1
Listed shares	10.6	21.6
Listed subordinated bank notes	1.1	4.3
Other ^(B)	1.4	2.8
Total	134.2	102.2
Deferred tax liability ^(C)	(11.7)	(7.9)
Payables – outstanding settlements	-	(8.8)
Net principal investments	122.5	85.5
Net principal investments per share (cents) ^(D)	73.7	52.6

The definition of Principal Investments has changed to exclude cash/working capital.

- (A) Magellan Unlisted Funds include Magellan Global Fund, Magellan Infrastructure Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund (Unhedged), Magellan High Conviction Fund and the Frontegra MFG Funds.
- (B) Comprises distributions receivable and unlisted funds and shares.
- (C) At 31 December 2013, deferred tax liabilities arose from changes in the fair value of financial assets, and at 30 June 2013, arose from changes in the fair value of financial assets and net capital losses carried forward.
- (D) Based on the aggregate of 155,830,849 ordinary shares on issue at 31 December 2013 and 10,239,631 ordinary shares being the ordinary shares that the 10,200,000 Class B Shares would be entitled to convert into at 31 December 2013. At 30 June 2013, it is based on 152,782,876 ordinary shares on issue and 9,732,697 ordinary shares that the 10,200,000 Class B Shares would have been entitled to convert into at 30 June 2013.

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