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ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

MAGELLAN GLOBAL EQUITIES FUND: ARSN 603 395 302

Contents

Chairman's Report.....	3
Responsible Entity's Report	4
Auditor's Independence Declaration	8
Statement Of Profit Or Loss And Comprehensive Income	9
Statement Of Financial Position	10
Statement Of Changes In Equity	11
Statement Of Cash Flows	12
Notes To The Financial Statements	13
Overview	13
1. Basis Of Preparation.....	13
2. Distributions To Unitholders.....	15
3. Cash and Cash Equivalents	16
4. Statements Of Cash Flow Reconciliation.....	16
5. Receivables	17
6. Investments	17
7. Payables	20
8. Unitholders' Equity	20
9. Related Parties	21
10. Capital And Financial Risk Management	22
11. Segment Information	25
12. Auditors Remuneration	26
13. Earnings Per Unit ("EPU")	26
14. Contingent Assets, Contingent Liabilities And Commitments.....	26
15. NAV Per Unit	27
16. Events Subsequent To The End Of The Year	27
Directors' Declaration	28
Independent Auditor's Report.....	29
Unitholder Information	33
Corporate Information	34

MAGELLAN GLOBAL EQUITIES FUND

Chairman's Report for the year ended 30 June 2019

Dear Unitholders,

We are pleased to present the Annual Financial Report for Magellan Global Equities Fund (Managed Fund) (the "Fund"). The Fund is an open ended managed investment scheme for which Magellan Asset Management Limited ("MAM") acts as both Responsible Entity and Investment Manager.

The Fund is quoted on the Australian Securities Exchange (ticker code: MGE) and commenced trading on 5 March 2015. As at 30 June 2019, the Fund had net assets of \$1,432 million and a net asset value of \$3.7722 per unit before deducting distributions payable. The Fund paid a distribution of 11 cents per unit for the year ended 30 June 2019.

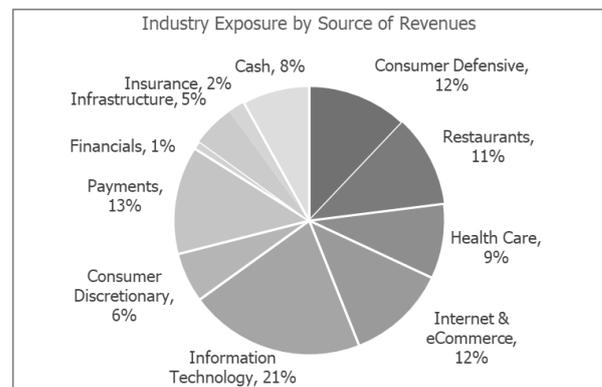
The Fund's portfolio is actively managed by MAM and mirrors, to all intents and purposes, the unlisted Magellan Global Fund.

For the 12 months to 30 June 2019, the Fund returned 20.0% net of fees. MAM 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 MAM, and has the ability to manage equity market risk by holding up to 20% of its net assets in cash. The portfolio is currency unhedged.

The inaugural 'In Review' magazine, released in July 2019, has a collection of investor reports for each of MAM's funds, including the Fund, along with some additional insights from our team. Within this magazine the Fund's portfolio manager, Hamish Douglass, discusses a number of important topics including his thoughts on current markets and portfolio construction. In addition, 'In Review' has an interview with the CEO of Starbucks, several stock pick discussions, thoughts from Michael Morell, a former deputy director of the Central Intelligence Agency, on global politics, and Hamish's reflections on what he has learnt from investing over the past decade or so. The magazine, together with the monthly and quarterly Fund Reports, provide valuable insights into our investment strategies and portfolio managers' thoughts that we would encourage you to read. A copy of this magazine can be found at www.magellangroup.com.au or, if you would like a hard copy, please call +61 2 9235 4888.

As at 30 June 2019, the Fund consisted of investments in 27 companies, with the top 10 investments (listed below) representing 54.5% of the Fund. The Fund's cash position was 8% which was predominantly held in US Dollars. The Fund's industry exposure by source of revenues is highlighted below.

Top 10 holdings (as at 30 June 2019)	% of Fund
Microsoft	7.3
Facebook - class A shares	6.7
Visa - class A shares	5.9
Starbucks	5.8
Alphabet - class A and class C shares	5.7
Apple	5.4
HCA Healthcare	4.7
SAP	4.6
MasterCard	4.4
Novartis	4.0
Top 10 Total	54.5



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

Robert Fraser
Chairman

Sydney, 30 August 2019

MAGELLAN GLOBAL EQUITIES FUND

Responsible Entity's Report for the year ended 30 June 2019

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Magellan Global Equities Fund (the "Fund") present their report on the Fund for the year ended 30 June 2019.

1.0 Directors

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

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

^(A) On 5 October 2018, Mr Douglass resigned as a Director of MAM and was appointed Chairman of Magellan Financial Group Limited ("MFG"), the parent company of MAM.

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 MGE). It was registered on 24 December 2014 and commenced trading on 5 March 2015.

The Fund 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 evaluation 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. It can use foreign exchange contracts to facilitate settlement of stock purchases. It is not the Responsible Entity's intention to hedge the foreign currency exposure of the Fund arising from investments in overseas markets.

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 year.

MAGELLAN GLOBAL EQUITIES FUND

Responsible Entity's Report for the year ended 30 June 2019

1.3 Review Of Financial Results And Operations

a) Financial Results For The Year

The performance of the Fund, as represented by the results of its operations for the years ended 30 June, was as follows:

	30 June 2019	30 June 2018
Results		
Total net investment income (\$'000)	248,040	167,146
Total expenses (\$'000)	20,571	17,318
Net Operating Profit/(Loss) (\$'000)	227,469	149,828
Distributions		
Distribution paid and payable to unitholders for the year (\$'000)	41,745	32,140
Distribution paid and payable (cents per unit) (refer (i) below for components)	11.00	9.62
Indirect Cost Ratio		
Management and administration fee (% p.a.)	1.35	1.35
Performance fee (% p.a.)	0.13	0.21
Total Indirect Cost Ratio (% p.a.)	1.48	1.56
Net Assets Value ("NAV") Per Unit (\$) ^(B)	3.6622	3.1409

(A) The Total Indirect Cost Ratio 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 and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

(B) The NAV Per Unit represents the net assets of the Fund presented in the Statement Of Financial Position at 30 June divided by the number of units on issue at 30 June (refer Note 8 and Note 15 to the financial statements).

i) Distribution components for the final distributions, which can be found in the 'Our Funds' section of the MFG website, www.magellangroup.com.au are below:

	Final Distribution 30 June 2019 cents per unit	Final Distribution 30 June 2018 cents per unit
Foreign Sourced Income	3.06	1.16
Foreign income tax offsets	0.63	0.58
Capital Gains		
Discounted	-	4.23
Other capital gains distribution (CGT concession)	-	4.23
Other non-attributable amounts (tax deferred amounts)	7.94	-
Attribution Amount	11.63	10.20
Tax Offsets		
Foreign income tax offsets	(0.63)	(0.58)
Cash Distribution	11.00	9.62

Responsible Entity's Report

for the year ended 30 June 2019

1.3 Review Of Financial Results And Operations (continued)

b) Performance Returns

The performance returns shown in the table below are for the years ended 30 June and have been calculated using the NAV per unit for the Fund, which is after fees and expenses, assuming the reinvestment of distributions at NAV per unit. The returns are calculated daily, compounded to produce longer period returns.

	12 months to 30 June 2019	12 months to 30 June 2018
Performance		
Growth return (%) ^(A)	16.5	13.4
Distribution return (%) ^(B)	3.5	3.5
Total Return (%) ^(C)	20.0	16.9

^(A) 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.

^(B) The Distribution return is calculated as a percentage by subtracting the Growth return from the Total Return.

^(C) 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.

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.

c) 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 'Our Funds' section of the MFG website, 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.

1.4 Interest In The Fund

The movement in units on issue in the Fund is disclosed in Note 8 to the financial statements.

The total unitholders' equity of the Fund was \$1,389,775 (June 2018: \$1,051,601) at 30 June 2019.

1.5 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.

1.6 Events Subsequent To The End Of The Year

In a release to the ASX on 5 August 2019, the Fund reported a NAV per unit of \$3.8039 and 386,731,113 units on issue as at 31 July 2019.

Other than the items disclosed throughout this Financial Report and the above, there have been no matters or circumstances arising after the end of the 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 years. Asset prices move daily and daily unit prices are available on the MFG website, www.magellangroup.com.au and also the ASX website.

MAGELLAN GLOBAL EQUITIES FUND

Responsible Entity's Report for the year ended 30 June 2019

1.7 Indemnification And Insurance Of Directors And Officers

The Directors and Officers of MAM, the Responsible Entity, in office are insured to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in their capacity of Directors and Officers of the Responsible Entity, other than for conduct involving a wilful breach of duty in relation to the Responsible Entity.

During the year, MAM paid an insurance premium to insure the Directors and Officers of the Responsible Entity. The terms of the contract prohibit the disclosure of the premiums paid.

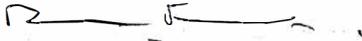
1.8 Rounding Of Amounts

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.

1.9 Auditor's Independence Declaration

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.



Robert Fraser
Chairman

Sydney, 30 August 2019

Auditor's Independence Declaration to the unitholders of Magellan Global Equities Fund

As lead auditor for the audit of the financial report of Magellan Global Equities Fund for the financial year ended 30 June 2019, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.


Ernst & Young


Rita Da Silva
Partner
Sydney, 30 August 2019

MAGELLAN GLOBAL EQUITIES FUND

Statement Of Profit Or Loss And Comprehensive Income

for the year ended 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Investment Income			
Dividend and distribution income		17,283	13,996
Interest income		3,600	1,279
Net change in fair value of investments		216,016	145,119
Net gains/(losses) on foreign exchange settlements, derivative contracts and cash		11,141	6,720
Other income		-	32
Total Net Investment Income		248,040	167,146
Expenses			
Management fees	9 c) i)	16,415	13,042
Performance fees	9 c) ii)	1,528	2,015
Settlement processing fees		40	91
Transaction costs		63	72
Withholding tax on dividends		2,524	2,098
Finance costs		1	-
Total Expenses		20,571	17,318
Net Operating Profit/(Loss)		227,469	149,828
Finance Costs Attributable To Unitholders			
Distributions to unitholders	2	-	(32,140)
(Increase)/decrease in net assets attributable to unitholders		-	(117,688)
Profit/(Loss) For The Year		227,469	-
Other comprehensive income for the year		-	-
Total Comprehensive Income For The Year		227,469	-
Basic Earnings Per Unit (Cents Per Unit)	13	63.80	-
Diluted Earnings Per Unit (Cents Per Unit)	13	63.80	-

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

Statement Of Financial Position

as at 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Assets			
Cash and cash equivalents	3	112,412	197,949
Receivables	5	3,455	27,350
Investments	6 a)	1,321,983	861,770
Total Assets		1,437,850	1,087,069
Liabilities			
Payables	7	6,330	3,328
Distributions payable	2	41,745	32,140
Total Liabilities		48,075	35,468
Total Unitholders' Equity		1,389,775	1,051,601

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

MAGELLAN GLOBAL EQUITIES FUND

Statement Of Changes In Equity

for the year ended 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Unitholders' Equity At Beginning Of The Year		1,051,601	-
Reclassification due to AMIT regime implementation ^(A)	1 b)	-	1,051,601
Transactions with unitholders in their capacity as owners:			
Units issued		197,333	-
Units issued under distribution reinvestment plan (DRP)		3,595	-
Units redeemed		(48,478)	-
Distributions paid and payable		(41,745)	-
Total Transactions With Unitholders		110,705	-
Comprehensive income for the year:			
Profit/(Loss) for the year		227,469	-
Other comprehensive income for the year		-	-
Total Comprehensive Income For The Year		227,469	-
Total Unitholders' Equity At The End Of The Year		1,389,775	1,051,601

^(A) Effective from 30 June 2018, the units in the Fund have been reclassified from financial liability to equity (refer Note 1 b)).

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

MAGELLAN GLOBAL EQUITIES FUND

Statement Of Cash Flows

for the year ended 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Cash Flows From Operating Activities			
Dividends and distributions received (net of withholding tax)		14,418	11,630
Interest received		3,586	1,083
Other income received		-	32
Interest paid		(1)	-
Management and performance fees paid		(18,226)	(13,687)
Settlement processing fees paid		(40)	(91)
Other expenses paid		(201)	(269)
Net Cash Inflows/(Outflows) From Operating Activities	4 a)	(464)	(1,302)
Cash Flows From Investing Activities			
Purchase of investments		(448,054)	(321,593)
Proceeds from sale of investments		230,728	311,146
Net foreign exchange gains/(losses)		18,379	(4,040)
Net Cash Inflows/(Outflows) From Investing Activities		(198,947)	(14,487)
Cash Flows From Financing Activities			
Receipts from issue of units		198,050	155,192
Payments for redemption of units		(48,478)	(66,165)
Distributions paid		(28,545)	(14,520)
Net Cash Inflows/(Outflows) From Financing Activities		121,027	74,507
Net Increase/(Decrease) In Cash And Cash Equivalents		(78,384)	58,718
Cash and cash equivalents at the beginning of the year		197,949	128,682
Effect of exchange rate fluctuations on cash and cash equivalents		(7,153)	10,549
Cash And Cash Equivalents At End Of Year	3	112,412	197,949

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

Notes To The Financial Statements

for the year ended 30 June 2019

Overview

Magellan Global Equities Fund ("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 ("MAM") (ABN 31 120 593 946) is the Responsible Entity of the Fund.

This financial report was authorised for issue by the Directors of the Responsible Entity on 30 August 2019. The Directors have the power to amend and reissue this financial report.

The Fund is considered a for-profit unit trust for the purpose of this Annual Financial Report.

1. Basis Of Preparation

This general purpose financial report is presented in Australian Dollars and has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards ("AASB") and Interpretations issued by the Australian Accounting Standards Board, other mandatory professional reporting requirements and the Fund's Constitution. The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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.

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*.

a) Accounting Policies

The accounting policies adopted in the preparation of this financial report are contained within the notes to which they relate. The accounting policies adopted are consistent with those of the previous financial year 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 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.

As a consequence, at 30 June 2018, the units in the Fund met the definition of equity under AASB 132: *Financial Instruments: Presentation*. As a result, equity transactions including distributions have been included in the Statement of Changes in Equity.

c) New And Amended Accounting Standards

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") which require restatement of previous financial statements. The nature and effect of these changes are as follows.

Notes To The Financial Statements

for the year ended 30 June 2019

1. Basis Of Preparation (continued)

c) New And Amended Accounting Standards (continued)

• 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 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 includes 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 material 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 reporting period commencing 1 July 2018, but did not result in any adjustments to the amounts recognised in the financial statements or disclosures.

d) Foreign Currency Translation

The functional and presentation currency of the Fund is the Australian Dollar, as determined in accordance with AASB 121: *The Effects of Changes in Foreign Exchange Rates*. Transactions denominated in foreign currencies are translated into Australian Dollars at the foreign currency exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian Dollars at the foreign currency closing exchange rate at the balance date.

Foreign currency exchange differences arising on translation, and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian Dollars at the foreign currency closing exchange rates at the dates that the values were determined. Foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in profit or loss.

e) Investment Income Dividend And Distribution Income

Dividend and distribution income is recognised on the applicable ex-dividend/distribution date gross of withholding tax, which is recorded as an expense in profit or loss. Dividends and distributions received are presented net of withholding tax in the Statement Of Cash Flows.

Net Change In Fair Value Of Investments

Realised and unrealised gains and losses on investments are measured at fair value through profit or loss.

Interest Income

Interest income is recognised on an accrual basis using the effective interest rate method.

f) Expenses

All expenses are recognised in profit or loss on an accruals basis. Management and performance fees are set out in Note 9 c) iii). Settlement processing fees are paid to a third party market participant to facilitate settlement of the Fund's units issued and redeemed. The Responsible Entity appointed a market participant as its agent to execute its market making activities in order to provide liquidity in the Fund's units on the ASX.

Notes To The Financial Statements

for the year ended 30 June 2019

1. Basis Of Preparation (continued)

g) Income Tax

Under current income tax legislation, the Fund is not subject to income tax provided the Fund attributes the entirety of its taxable income to unitholders.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in profit or loss. The benefits of foreign withholding tax paid, and of imputation credits attaching to Australian franked dividends, are passed onto unitholders.

h) Goods And Services Tax ("GST")

The GST incurred on the costs of various services provided to the Fund by third parties, such as custodial services and management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits at a rate of 55%-75% and is also eligible to recover GST on offshore transactions. Management and performance fees and other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statement Of Financial Position as a receivable or payable. Cash flows are included in the Statement Of Cash Flows on a gross basis.

i) Critical Accounting Estimates And Judgements

The preparation of the Fund's 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 balance date. Fair values may however move materially with movements in market prices (refer Note 10 c)). 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.

2. Distributions To Unitholders

The final distribution in respect of the year ended 30 June 2019 was 11.0 cents per unit (June 2018: 9.6 cents per unit), amounting to \$41,745,000 (June 2018: \$32,140,000). The distribution comprised of \$11,613,000 in distributable income and \$30,132,000 return of capital (June 2018: \$32,140,000 distributable income) and was paid on 29 July 2019.

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's Product Disclosure Statement. Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Unrealised gains and losses on financial assets and liabilities that are recognised as income are transferred to unitholders' equity and are not assessable and distributable until realised. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively.

A distribution payable is recognised in the Statement of Financial Position where the distribution has been declared but remains unpaid at balance date.

a) Distribution Reinvestment Plan ("DRP")

The Fund's DRP was available to eligible unitholders during the years ended 30 June.

Under the terms of the DRP, eligible unitholders are able to elect to reinvest their distribution in additional units in the Fund, free of any brokerage or other transaction costs. Units are issued and/or transferred to DRP participants at a predetermined price, less any discount that the Directors may elect to apply from time to time. No discount has been applied to the units issued under the DRP in respect of the distribution paid on 29 July 2019. The DRP issue price is equal to the Operational Net Trust Value (as defined in the Constitution) divided by the number of units on issue on 15 July 2019, being 10 business days prior to the distribution payment date. The DRP issue price for the year ended 30 June 2019 was \$3.7672 (2018: \$3.2292).

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2019

3. Cash And Cash Equivalents

	30 June 2019 \$'000	30 June 2018 \$'000
Cash at bank - denominated in Australian Dollars	4,114	3,326
Cash at bank - denominated in foreign currency:		
- United States Dollars	108,222	194,574
- British Pounds	19	20
- Euros	42	16
- Swiss Francs	15	13
Total Cash And Cash Equivalents	112,412	197,949

Cash comprises cash at bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

4. Statement Of Cash Flow Reconciliation

	30 June 2019 \$'000	30 June 2018 \$'000
a) Reconciliation Of Cash Flows From Operating Activities		
Net operating profit/(loss)	227,469	149,828
Adjusted for:		
Net changes in fair value of investments	(216,016)	(145,128)
Net (gains)/losses on foreign currency transactions and cash settlements	(11,072)	(6,720)
Changes in operating receivables and payables		
- Net (increase)/decrease in receivables	(562)	(672)
- Net increase/(decrease) in payables	(283)	1,390
Net Cash Inflows/(Outflows) From Operating Activities	(464)	(1,302)
b) Non-Cash Investing And Financing Activities		
Distributions reinvested into units in the Fund	3,595	680

Notes To The Financial Statements

for the year ended 30 June 2019

5. Receivables

	30 June 2019 \$'000	30 June 2018 \$'000
Due from brokers - receivable for securities sold	-	23,613
Applications receivable	1,287	2,004
Interest receivable	216	202
Recoverable GST and foreign withholding tax	1,951	1,403
Receivables on spot transactions	1	128
Total Receivables	3,455	27,350

No amounts are impaired or past due at 30 June 2019 or 30 June 2018.

Receivables comprise amounts due from brokers for sales of assets and applications for units in the Fund unsettled at balance date, 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. Until 30 June 2018 a provision was deducted from receivables for uncollectible amounts. From 1 July 2018 this provision is based on expected credit losses. Expected credit losses are calculated as 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 receivables whereby the loss allowance is based on lifetime expected credit losses at each balance date.

6. Investments

	30 June 2019 \$'000	30 June 2018 \$'000
a) Investments		
International listed equity securities:		
- United States	1,037,599	736,830
- Switzerland	108,279	62,816
- Germany	65,461	34,444
- United Kingdom	51,476	27,680
- France	30,062	-
- Belgium	14,842	-
- Netherlands	14,264	-
Total Investments	1,321,983	861,770

The Fund classifies its equity securities, derivative assets and derivative liabilities as financial assets and liabilities at fair value through profit or loss. The classification is based on the contractual cash flow characteristics and the Fund's business model for managing them.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Fund is the transaction price. Transaction costs are expensed immediately in the profit or loss. Subsequent to initial recognition, all financial assets and liabilities classified at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in profit or loss. The net change in fair value does not include dividend or distribution income.

Purchases and sales are recognised on trade date, being the date the Fund commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership are passed to a third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2019

6. Investments (continued)

The fair value of equity securities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Fund is the closing price^(A) for the security as quoted on the relevant stock exchange. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques including recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flows techniques, option pricing models or any other valuation techniques commonly used by market participants.

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable. Derivatives are included in the Statement Of Financial Position as an asset when the fair value at balance date is positive and classified as a liability when the fair value at balance date is negative.

^(A) 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 equity securities by domicile of primary stock exchange listing held by the Fund are:

Company Name	Domicile of Principal Exchange Listing	30 June 2019 \$'000	30 June 2018 \$'000
Microsoft	United States	104,072	39,136
Facebook - class A shares	United States	96,537	69,555
Visa - class A shares	United States	84,535	55,073
Starbucks	United States	83,644	43,707
Apple	United States	77,516	53,620
Alphabet - class C shares	United States	72,368	63,662
HCA Holdings	United States	66,844	35,676
SAP	Germany	65,461	34,444
MasterCard	United States	62,748	39,856
Novartis	Switzerland	57,661	30,517
Oracle	United States	57,190	32,842
Yum! Brands	United States	56,626	34,217
Reckitt Benckiser	United Kingdom	51,476	25,428
Nestle	Switzerland	50,618	32,299
Crown Castle International	United States	44,984	31,732
American Express	United States	38,233	-
Pepsico	United States	36,801	-
Lowe's	United States	33,316	52,385
Berkshire Hathaway	United States	32,547	-
LVMH	France	30,062	-
McDonald's	United States	22,811	25,849
Anheuser-Busch	Belgium	14,842	-
Estee Lauder	United States	14,814	-
CME Group	United States	14,348	-
Heineken	Netherlands	14,264	-
WEC Energy Group	United States	13,975	-
Xcel Energy	United States	13,966	-
Alphabet - class A shares	United States	9,724	8,751
Kraft Heinz ^(B)	United States	-	57,541
Wells Fargo ^(B)	United States	-	46,946
eBay ^(B)	United States	-	23,395
Costco Wholesale ^(B)	United States	-	22,887
Lloyds Banking Group ^(B)	United Kingdom	-	2,252
Total Equity Securities		1,321,983	861,770

^(B) These investments are no longer held by the Fund at 30 June 2019.

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2019

6. Investments (continued)

b) 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 these securities is based on the closing price^(c) 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 counterparties' current credit worthiness.
- Level 3: valuation techniques using non-market observable inputs.

^(c) 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:

	30 June 2019 \$'000	30 June 2018 \$'000
Financial Assets Measured At Fair Value		
Level 1: Investments - valued using quoted price ^(d)	1,321,983	861,770
Total Financial Assets Measured at Fair Value	1,321,983	861,770

^(d) 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 year and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at balance date.

c) Offsetting Financial Assets And Financial Liabilities

Financial assets and financial liabilities are presented net in the Statement Of Financial Position where the Fund currently has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Derivative assets and liabilities are subject to legally enforceable master netting agreements, such as an International Swaps and Derivatives Association master netting agreements. Foreign currency contracts are contracted individually with the intention to settle the forward asset or liability simultaneously if required.

There are no derivative assets and liabilities offset as at balance date.

Notes To The Financial Statements

for the year ended 30 June 2019

7. Payables

		30 June 2019 \$'000	30 June 2018 \$'000
Management fees payable	9 c) i)	1,727	1,313
Performance fees payable	9 c) ii)	1,318	2,015
Due to brokers - payable for securities purchases		3,285	-
Total Payables		6,330	3,328

Payables comprise trade creditors and accrued expenses owing by the Fund at balance date. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables and accruals are recognised at amortised cost, using the effective interest rate method, at the point where the Fund becomes obliged to make payments in respect of the purchase of these goods and services.

Maturities Of Payables

At 30 June 2019, all payables mature in 0 to 30 days (June 2018: 0 to 30 days).

8. Unitholders' Equity

	30 June 2019 No. of units '000	30 June 2018 No. of units '000
Units On Issue		
Units on issue at beginning of the year	334,812	305,547
Units issued	58,109	52,392
Units issued under DRP	1,113	246
Units redeemed	(14,538)	(23,373)
Units On Issue At End Of Year	379,496	334,812

Applications received for units in the Fund are recorded net of entry fees. Redemptions from the Fund are recorded gross of exit fees. The Fund recognises the units issued or redeemed when settled, which is trade date.

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:

- it is impracticable for the Responsible Entity, or the Responsible Entity is unable, to calculate the net asset value ("NAV") of the Fund;
- 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;
- the Responsible Entity reasonably considers it would be in the interests of investors, or it is otherwise permitted by law; or

Notes To The Financial Statements

for the year ended 30 June 2019

8. Unitholders' Equity (continued)

- 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.

9. Related Parties

a) Responsible Entity

The Responsible Entity of the Fund is MAM. MAM is a wholly owned subsidiary of Magellan Financial Group Limited ("MFG") (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity and both are considered to be related parties of the Fund.

b) Key Management Personnel

Key management personnel ("KMP") are those persons or corporate entities who have authority and responsibility for planning, directing and controlling the activities of the Fund. The Responsible Entity is responsible for managing the activities of the Fund and is considered to be a KMP. The Fund does not employ personnel in its own right.

The Directors of MAM are considered to be KMP. The Directors of MAM during the year and up to the date of this report are: Dr Brett Cairns, Mr Hamish Douglass (resigned 5 October 2018), Mr John Eales, Mr Robert Fraser, Mr Paul Lewis, Ms Kirsten Morton (appointed 5 October 2018), Mr Hamish McLennan and Ms Karen Phin. The Fund did not pay any compensation to the Directors of the Responsible Entity.

c) Responsible Entity Fees

Compensation is paid to the Responsible Entity in the form of fees as follows:

i) Management Fees

The Responsible Entity is entitled to receive management fees from the Fund for managing the assets and overseeing the operations of the Fund. The management fee is 1.35% per annum of the value of the Fund, calculated daily. The Responsible Entity pays operating expenses of the Fund, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs. Management fees are calculated daily based on the NAV (before fees) of the Fund on that day and are payable at the end of the month.

ii) Performance Fees

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.

iii) Total Management And Performance Fees

The management and performance fees paid/payable by the Fund are net of any applicable reduced input tax credits (refer Note 1 h)). The management and performance fees paid/payable by the Fund are as follows:

	30 June 2019		30 June 2018	
	% pa	\$	% pa	\$
Management fees	1.35	16,414,646	1.35	13,042,250
Performance fees		1,527,513		2,014,759
Total Fees Expensed In The Statement Of Profit Or Loss And Comprehensive Income		17,942,159		15,057,009
Total Fees Payable In The Statement Of Financial Position		3,045,243		3,328,477

Notes To The Financial Statements

for the year ended 30 June 2019

9. Related Parties (continued)

d) Transactions With Related Parties

The following transactions occurred with related parties:

		Units Acquired During The Year	Units Disposed During The Year	Units Held At End of Year		Distribution Paid Or Payable
		Number	Number	Number	%	\$
MFG	2019	610,982	-	21,124,753	5.57	2,323,723
	2018	-	(4,900)	20,513,771	6.13	1,973,425
Directors						
Brett Cairns	2019	1,228	-	42,478	0.01	4,673
	2018	732	-	41,250	0.01	3,967
Hamish Douglass	2019	316	-	597,987	0.16	65,779
	2018	10,602	-	597,671	0.18	57,483

Transactions between the Fund and related parties are subject to the same terms and conditions as those entered into by other unitholders. Unless specified above, no other KMP held units in the Fund.

10. Capital And Financial Risk Management

a) Financial Risk Management

The Fund's investment portfolio primarily comprises listed equity investments. The investment objectives of the Fund 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). The Fund's investing activities expose it to various types of risks including concentration risk, market risk, liquidity risk and credit risk.

Financial risk management is carried out under policies approved by the Responsible Entity. The risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

The following disclosures in relation to the various risks of the Fund's portfolio have been based on the Fund's direct holdings.

b) Concentration Risk

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. The Fund holds a concentrated portfolio of investments, and the returns of the Fund may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in the Fund's unit price, and also increases the risk of poor performance.

The Fund's concentration risk is managed in accordance with the portfolio risk controls for the Fund, which are approved by MAM's Investment Committee.

c) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, foreign exchange rates, and interest rates.

i) Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The size and diversification of the portfolio is sufficient to ensure the Fund's returns are not overly correlated to a single company, industry specific or macroeconomic risk but the returns of the portfolio are not expected to be perfectly correlated to any market or sector index. If equity markets as a whole rise or fall by 5%, the return of the Fund may increase or decrease by different amounts.

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2019

10. Capital And Financial Risk Management (continued)

c) Market Risk (continued)

i) Equity Price Risk (continued)

An increase of 5% in the market prices of the Fund's investments held at the end of the year, assuming all other variables remain constant, would have increased net operating profit and unitholders' equity as follows:

	30 June 2019 \$'000	30 June 2018 \$'000
Impact on net operating profit and unitholders' equity	66,099	43,089

A decrease of 5% in the market prices of each of the Fund's equity security investments would have had an equal but opposite effect.

ii) Currency Risk

Currency risk is the risk that the fair value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. Assets and liabilities that the Fund may typically own and that can be affected by foreign exchange rate fluctuations include equities listed on foreign exchanges, cash, forward foreign currency contracts, outstanding broker settlements, and outstanding receipts of income from foreign companies.

The Fund invests in financial assets denominated in currencies other than the Australian Dollar and is therefore exposed to the risk that the movement in the foreign exchange rates will cause fluctuations in profit or loss. The Fund uses forward foreign currency contracts to mitigate this risk by hedging the underlying exposure to financial assets denominated in currencies other than the Australian Dollar.

Due to daily changes in the fair value of underlying assets, the face value of hedging contracts will not always completely eliminate currency exposure. The appropriateness of the amounts hedged is monitored daily and adjusted if the total net exposure of the Fund to any individual foreign currency is greater than 5% of the net assets of the Fund.

The Fund's total net exposure to fluctuations in foreign currency exchange rates at balance date is:

	30 June 2019 \$'000	30 June 2018 \$'000
Assets and liabilities denominated in:		
United States Dollars	1,142,774	928,046
Euros	124,852	34,685
Swiss Francs	109,433	63,540
British Pounds	51,495	27,699

The changes in net operating profit and unitholders' equity that would arise from a 5% increase or decrease in the Australian Dollar relative to each currency to which the Fund is exposed, at balance date are as follows:

	30 June 2019		30 June 2018	
	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000
Assets and liabilities denominated in:				
United States Dollars	(54,418)	60,146	(44,193)	48,845
Euros	(5,945)	6,571	(1,652)	1,826
Swiss Francs	(5,211)	5,760	(3,026)	3,344
British Pounds	(2,452)	2,710	(1,319)	1,458

Notes To The Financial Statements

for the year ended 30 June 2019

10. Capital And Financial Risk Management (continued)

c) Market Risk (continued)

iii) Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The primary exposure to interest rates arises on cash balances held by the Fund, which are all held in floating interest rate accounts. Based on the Australian Dollar cash balances and US Dollar cash balances held by the Fund, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would increase the Fund's net operating profit and unitholders' equity at balance date as follows:

	30 June 2019 \$'000	30 June 2018 \$'000
Australian Dollar cash balances	4	3
US Dollar cash balances	108	195
	112	198

A decrease of 10 basis points in floating interest rates would have an equal but opposite effect. The level of cash held by the Fund may vary from time to time, depending on the level of recent capital flows into and out of the Fund, and on the Responsible Entity's judgement. The cash balances held by the Fund as at balance date may therefore not be typical of the amounts of cash generally held by the Fund.

The Fund does not hold significant cash balances exposed to interest rates in other currencies and does not have any borrowings or other financial liabilities or assets with direct exposure to changes in interest rates.

iv) Market Making Risk

The Responsible Entity, on behalf of the Fund, may provide liquidity to investors on the ASX by acting as a buyer and seller of units in the Fund. At the end of each Business Day, the Responsible Entity, on behalf of the Fund, may create or cancel units by applying for or redeeming its net position in units bought or sold on the ASX. The Responsible Entity has appointed an independent market participant to act as its agent to transact and facilitate settlement on its behalf.

Market making risk comprises:

- i) the risk that the market making agent makes an error in executing the Fund's market making services. If the market making agent does not fulfil its settlement processing obligations in a correct and timely manner, the Fund could suffer a loss; and
- ii) the risk of an error in the execution of market making activities, or in the price at which units are transacted on the ASX. As many overseas stock exchange markets in which the Fund invests are closed during the ASX trading day, it is not possible for the Responsible Entity to hedge the Fund's market making activities. This may result in either a cost or a benefit to the Fund.

In order to mitigate this risk, the Responsible Entity, on behalf of the Fund, has the discretion to increase the spread at which it makes a market and also has the right to cease making a market subject to its obligations under the AQUA Rules and ASX Operating Rules.

d) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities on the due date or will be forced to sell financial assets at a value which is less than they are worth.

This risk is managed by the Fund maintaining sufficient cash and cash equivalents to meet its normal operating requirements and primarily holds investments that are traded in an active market and can be readily disposed. The majority of the Fund's listed securities are considered readily realisable as they are listed on stock exchanges around the world.

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Notes To The Financial Statements

for the year ended 30 June 2019

10. Capital And Financial Risk Management (continued)

d) Liquidity Risk (continued)

In addition, to manage the Fund's overall liquidity, the Responsible Entity has the discretion to suspend capital withdrawals from the Fund for up to 28 days if it is impracticable for the Responsible Entity or if the Responsible Entity is unable to calculate the NAV of the Fund, the withdrawal request would reasonably require the Responsible Entity to sell 5% or more (by value of the net assets of the Fund), the payment of withdrawals would disadvantage remaining unitholders by imposing a disproportionate share of capital gains tax liabilities, or if the Responsible Entity reasonably considers it to be in the interests of remaining unitholders of the Fund.

At balance date, the Fund had an obligation to settle payables (including distribution payable) of \$48,075,000 (June 2018: \$35,468,000) maturing in less than one month (June 2018: less than one month) and derivative liabilities of \$nil (June 2018: \$nil) settled within one month. The Fund had cash and receivables totalling \$115,867,000 (June 2018: 225,299,000) to cover these liabilities.

e) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities when valued at fair value.

The Fund minimises concentrations of credit risk by undertaking transactions with numerous reputable brokers, and by ensuring cash balances are held with and managed by counterparties that are reputable financial intermediaries with acceptable credit ratings determined by a recognised rating agency. In addition, the credit rating and financial positions of the brokers used by the Fund are regularly monitored to mitigate this risk. Credit risk relating to outstanding settlements is considered small due to the short settlement period involved.

The Fund uses derivative financial instruments for currency hedging purposes. Derivatives are not used to gear (leverage) the portfolio. The Fund may have credit risk arising from forward foreign currency positions if the market value of those positions is positive. At balance date, the Fund held no derivative assets and liabilities (June 2018: \$nil).

The Responsible Entity has appointed The Northern Trust Company ("NT") as the custodian of the Fund. In acting as custodian, NT is required to comply with the relevant provisions of the *Corporations Act 2001*, applicable ASIC regulatory guides, legislative instruments and class orders relating to registered managed investment scheme property arrangements with custodians. The credit quality of NT's senior debt is rated at balance date, by Standard and Poor's as A+ and by Moody's as A2 (June 2018: Standard and Poor's as A+ and by Moody's as A2).

At balance date, the Fund's maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statement Of Financial Position.

11. Segment Information

An operating segment is a distinguishable component of the Fund that is engaged in business activity from which the Fund earns revenues and incurs expenses, whose operating results are regularly reviewed by the Fund's chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision maker has been determined as Dr Brett Cairns.

The Fund's investments are managed on a single portfolio basis and in one business segment being equity investment, as well as in one geographic segment being Australia. The Fund continues to have foreign exposures as it invests in companies which operate internationally.

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2019

12. Auditor's Remuneration

The following amounts were paid or payable by the Responsible Entity on behalf of the Fund for services provided by the auditor of the Fund, Ernst & Young Australia:

	30 June 2019 \$	30 June 2018 \$
Audit Services		
Audit and review of financial reports	26,500	27,800
Other assurance services	1,364	1,911
Non-Audit Services		
Taxation	6,700	6,700
Total Auditor's Remuneration of Ernst & Young Australia	34,564	36,411

13. Earnings Per Unit

Basic earnings per unit ("EPU") is calculated as profit/(loss) for the period divided by the weighted average number of units on issue. Diluted earnings per unit is calculated by adjusting the basic earnings per unit to take into account the effect of any changes in income or expense associated with dilutive potential units and the weighted average number of additional units that would have been outstanding assuming the conversion of all dilutive potential units.

	30 June 2019	30 June 2018 (A)
Basic EPU		
Profit/(loss) attributable to unitholders (\$'000)	227,469	-
Weighted average number of units for basic EPU ('000)	356,560	324,189
Basic EPU (Cents)	63.80	-
Diluted EPU		
Profit/(loss) attributable to unitholders (\$'000)	227,469	-
Weighted average number of units for diluted EPU ('000)	356,560	324,189
Diluted EPU (Cents)	63.80	-
Earnings Reconciliation		
Profit/(loss) used in the calculation of basic and diluted EPU (\$'000)	227,469	-

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

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

14. Contingent Assets, Contingent Liabilities And Commitments

The Fund has no contingent assets, contingent liabilities or commitments at 30 June 2019 (June 2018: nil).

MAGELLAN GLOBAL EQUITIES FUND

Notes To The Financial Statements

for the year ended 30 June 2019

15. NAV Per Unit

The NAV per unit represents the net assets of the Fund presented in the Statement Of Financial Position at balance date divided by the number of units on issue at balance date (refer Note 8).

	30 June 2019 \$ (A)	30 June 2018 \$ (B)
NAV per unit	3.6622	3.1409

- (A) The NAV per unit at 30 June 2019 differs from the NAV per unit of \$3.7724 as at 28 June 2019 reported to the ASX on 3 July 2019 primarily due to the final distribution for the year ended 30 June 2019 (refer Note 2). The Fund's ex-distribution date was 1 July 2019 as reported to the ASX on 26 June 2019.
- (B) The NAV per unit at 30 June 2018 differs from the NAV per unit of \$3.1438 as at 29 June 2018 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 balance date. For unit pricing purposes, the investments were valued using the closing price (refer Note 6).
 - accruals for fees and minor expenses of the Fund.

16. Events Subsequent To The End Of The Year

In a release to the ASX on 5 August 2019, the Fund reported a NAV per unit of \$3.8039 and 386,731,113 units on issue as at 31 July 2019.

Other than the items disclosed throughout this Financial Report and the above there have been no matters or circumstances arising after the end of the 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 years. Asset prices move daily and daily unit prices are available on the MFG website, www.magellangroup.com.au and also the ASX website.

MAGELLAN GLOBAL EQUITIES FUND

Directors' Declaration for the year ended 30 June 2019

In the opinion of the Directors,

- a) the financial statements and notes of Magellan Global Equities Fund as set out on pages 9 to 27 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 30 June 2019 and of its performance as represented by the results of its operations and cash flows for the year ended on that date; and
 - ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, International Financial Reporting Standards as disclosed in Note 1 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 required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

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



Robert Fraser
Chairman

Sydney, 30 August 2019

Independent Auditor's Report to the members of Magellan Global Equities Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Magellan Global Equities Fund (the Fund), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of Magellan Global Equities Fund is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the *Audit of the Financial Report section of our Report*, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Why significant

1. Investment existence and valuation

The Fund has a significant investment portfolio consisting primarily of listed equities. As at 30 June 2019, the value of these listed equities, was \$1,321,983,000 which equates to 92% of the total assets of the Fund.

As detailed in Fund's accounting policy, described in Note 6 of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.

2. Management and performance fees

Management and performance fees, paid to the investment manager, Magellan Asset Management Limited, are the most significant expense for the Fund.

The Fund's accounting policy for management and performance fees is described in Note 9c to the financial report. All expenses are recognised on an accruals basis, with performance fees recognised in the financial report if the performance hurdles for the Fund have been met at the end of the relevant measurement period, which is the date that the criteria have been met and the liability has been crystallised.

As at 30 June 2019, management and performance fees totalled \$17,943,000 which equates to 87% of total expenses. Of this amount, performance fees (excluding GST recovered) totalled \$1,528,000 which equates to 7% of total expenses.

The assessment of performance fee arrangements can be complex and judgmental.

The quantum of these expenses and the impact that market volatility can have on the recognition of performance fees relating to future periods, resulted in this being a key audit matter. The disclosure of these amounts is included in Note 9c to the financial report.

How our audit addressed the key audit matter

Our procedures included:

Assessing the effectiveness of the controls relating to the recognition and valuation of investments;

Obtaining and considering the assurance reports on the controls of the Fund's custodians and administrators in relation to investment management services and considering the auditor's qualifications and objectivity and results of their procedures;

Agreeing all investment holdings, including cash accounts, to third party confirmations at 30 June 2019;

Agreeing the fair value of all investments in the portfolio held at 30 June 2019 to independent pricing sources for listed securities; and

Assessing the adequacy of the disclosures in Note 6 to the financial report in accordance with Australian Accounting Standards.

Our procedures included:

Assessing the effectiveness of the controls in relation to the calculation of management, performance and performance fees;

Obtaining and considering the assurance report on the controls of the Fund's administrator in relation to Fund Administration Services for the year ended 30 June 2019 and considering the auditor's qualifications and objectivity and results of their procedures.

Recalculating management and performance fees, on a sample basis, in accordance with contractual arrangements;

Assessing the performance fee calculations, including testing the inputs into the calculation model and assessed whether the calculation was in line with the relevant agreement.; and

Assessing the adequacy of the disclosures in Note 9c to the financial report in accordance with Australian Accounting Standards.

Information Other than the Financial Report and Auditor's Report

The Directors of Magellan Asset Management Limited (the "Responsible Entity") are responsible for the other information. The other information comprises the information included in Fund's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

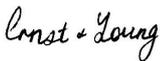
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication


Ernst & Young


Rita Da Silva
Partner

Sydney, 30 August 2019

MAGELLAN GLOBAL EQUITIES FUND

Unitholder Information

Distribution Of Unitholders

The distribution of unitholders of the Fund as at 23 August 2019 is as follows:

Distribution Of Holdings	Number Of Unit Holders	Number Of Units	Percentage Of Units On Issue %
1-1,000	1,164	584,313	0.15
1,001-5,000	5,281	16,410,320	4.20
5,001-10,000	5,559	41,537,773	10.62
10,001-100,000	8,971	215,521,935	55.11
100,001 and over	203	117,002,484	29.92
Total	21,178	391,056,825	100.00
Number of holders with less than a marketable parcel of units	79	4,016	0.00

Twenty Largest Unitholders

The names of the 20 largest unitholders in the Fund as at 23 August 2019 are as follows.

Holder Name	Number Of Units	Percentage Of Units On Issue %
Magellan Financial Group Limited	21,124,753	5.40
HSBC Custody Nominees (Australia) Limited	16,528,548	4.23
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	8,151,199	2.08
Citicorp Nominees Pty Limited	5,370,534	1.37
Australian Executor Trustees Limited	4,732,318	1.21
Nulis Nominees (Australia) Limited	4,403,094	1.13
Netwealth Investments Limited (Wrap Services)	4,157,994	1.06
Netwealth Investments Limited (Super Services)	3,151,883	0.81
Navigator Australia Ltd	2,679,643	0.69
Albert Investments Pty Ltd	2,496,586	0.64
Mutual Trust Pty Ltd	2,196,071	0.56
HSBC Custody Nominees (Australia) Limited - A/C 2	1,794,290	0.46
Farrar Superannuation Pty Ltd	1,400,680	0.36
Australian Executor Trustees Limited	1,300,883	0.33
Mr Victor John Plummer	1,000,000	0.26
Elev Pty Ltd	1,000,000	0.26
Magnet Investments Pty Ltd	949,485	0.24
J P Morgan Nominees Australia Pty Limited	809,518	0.21
Himstedt & Co Pty Ltd	762,070	0.19
Equitas Nominees Pty Limited	725,130	0.19
Total Units Held By The 20 Largest Unitholders	84,734,679	21.68
Total Units On Issue	391,056,825	100.00

Units

All issued units carry one vote per unit and the right to distributions.

Stock Exchange Listing

The Fund's ASX code is "MGE" for its units.

MAGELLAN GLOBAL EQUITIES FUND

Corporate Information

Directors Of The Responsible Entity

Brett Cairns (Chief Executive Officer)
John Eales
Robert Fraser (Chairman)
Paul Lewis
Hamish McLennan
Kirsten Morton (Chief Financial Officer)
Karen Phin

Company Secretary Of The Responsible Entity

Marcia Venegas

Registered Office

Level 36, 19 Martin Place
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Email: info@magellangroup.com.au

Auditor

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Sydney NSW 2000

Unit Registrar

LINK Market Services Limited
Level 12
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Telephone: 1800 206 847
Fax: +61 2 9287 0303
Email: magellan@linkmarketservices.com.au

Securities Exchange Listing

Australian Securities Exchange
ASX Code: MGE

Website

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

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