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Magellan High Conviction Trust

Product Disclosure Statement

For the Offer of fully paid Units in Magellan High Conviction Trust (ARSN: 634 789 754)

Responsible Entity and Investment Manager:
Magellan Asset Management Limited ABN 31 120 593 946, AFS Licence No. 304 301

Important Information

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this product disclosure statement ("PDS").

Magellan High Conviction Trust ARSN 634 789 754 ("Trust") is an Australian registered managed investment scheme.

This document is a product disclosure statement for the purposes of Part 7.9 of the Corporations Act and has been issued by Magellan Asset Management Limited ("Magellan") (AFSL 304 301).

LODGEMENT AND LISTING

This PDS is dated 13 August 2019 and a copy of this PDS was lodged with ASIC on that date. Magellan will apply to ASX no later than seven days after the date of the first issue of Units for admission to the official list of ASX. Magellan will also apply to ASX no later than seven days after the date of issue of any Units for official quotation of these Units on ASX. These time periods are modified by ASIC relief. Neither ASIC, ASX nor their officers take any responsibility for the contents of this PDS. Admission to the official list of ASX is in no way an indication of the merits of the Trust.

RESPONSIBLE ENTITY

Magellan is the responsible entity of the Trust.

FORWARD-LOOKING STATEMENTS

This PDS contains forward-looking statements, statements identified by use of the words 'believes', 'estimates', 'anticipates', 'expects', 'predicts', 'intends', 'targets', 'plans', 'goals', 'outlook', 'aims', 'guidance', 'forecasts', 'may', 'will', 'would', 'could' or 'should' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of Magellan, its directors and its management. While Magellan believes that expectations in forward-looking statements in this PDS are reasonable, no assurance can be given that such expectations will prove correct. They are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

As set out above, Magellan does not make any representation, express or implied, in relation to forward-looking statements other than required by law and potential investors are cautioned not to place undue reliance on these statements. Magellan does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this PDS, except where required by law.

These statements are subject to various risk factors that could cause the Trust's actual results to differ materially from the results expressed or anticipated in these statements. Key risk factors are set out in Section 6. These and other factors could cause actual results to differ materially from those expressed in any statement contained in this PDS.

FEES AND COSTS INFORMATION

As part of the disclosures of fees and costs required by the Corporations Act, certain fees and costs information disclosed within this PDS is based upon Magellan's reasonable estimates of these fees and costs. Such fees and costs information is not indicative of the fees and costs that you may actually incur for your investment.

NOTICE TO INVESTORS

No person is authorised to provide any information, or to make any representation, about the Trust that is not contained in this PDS. Potential investors should only rely on the information contained in this PDS. Any information or representation not contained in the PDS may not be relied on as having been authorised by Magellan in connection with the Trust. Except as required by law and only to the extent required by such law, neither Magellan and its employees, agents or officers nor any other person associated with the Trust guarantees, in relation to the Trust, the success, repayment of capital, any rate of return on income or capital, the investment performance, that there will be satisfactory liquidity in Units once they are listed on ASX, that the market price of Units when listed on ASX will be similar to the NAV per Unit or the security of your investment. An investor's investment does not represent deposits or other liabilities of the Magellan Group companies.

Before deciding to invest in the Trust, investors should read the entire PDS. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Trust. The information in this PDS is of a general nature only and does not take into account an investor's personal financial situation, investment objectives or needs. An investment in the Trust is subject to investment risk, which may include loss of principal invested. For more information on the risks associated with an investment in the Trust, please refer to Section 6 of this PDS. Before making an investment decision based on this PDS, investors should seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser to obtain advice that is tailored to suit their personal circumstances. No cooling-off regime (whether provided for by law or otherwise) applies to the Trust.

NO OFFER WHERE OFFER WOULD BE ILLEGAL

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Units in any jurisdiction outside Australia and New Zealand. The distribution of this PDS outside Australia and New Zealand may be restricted by law and persons who come into possession of this PDS outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This PDS does not constitute an offer to sell, or the solicitation of an offer to buy, the Units in the United States or in any jurisdiction in which such an offer would be illegal. None of the Units have been, or will be, registered under the U.S. Securities Act of 1933, as amended, or under the securities laws of any state or other jurisdiction of the United States, and none of such Units may be offered or sold, directly or indirectly, in the United States.

ADDITIONAL INFORMATION FOR NEW ZEALAND INVESTORS

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

EXPOSURE PERIOD

Pursuant to the Corporations Act, this PDS is subject to an exposure period of seven days after the date of the PDS, which period may be extended by ASIC by a further period of seven days.

The exposure period enables this PDS to be examined by market participants. The examination may result in the identification of deficiencies in this PDS. If deficiencies are detected, Magellan will provide a supplementary or replacement PDS that corrects the deficiency. This PDS will be made generally available to Australian and New Zealand residents during the Exposure Period by being posted on the following website: www.magellanhighconvictiontrust.com.au.

RIGHTS AND OBLIGATIONS ATTACHED TO THE UNITS

Details of the rights and obligations attached to each Unit are summarised in Section 12 and set out in the Constitution. The material provisions of the Constitution are also summarised in Section 12. A copy of the Constitution is available, free of charge on request from Magellan.

ELECTRONIC PDS

The PDS may be viewed online at www.magellanhighconvictiontrust.com.au. Any person accessing the electronic version of this PDS, for the purpose of making an investment in the Trust, must only access the PDS from within Australia, New Zealand, or any jurisdiction outside Australia and New Zealand where the distribution of the electronic version of this PDS is not restricted by law. Any eligible person may obtain a paper copy of this PDS by contacting the Magellan High Conviction Trust Offer Information Line on 1800 222 722 within Australia or +61 2 9290 9699 outside Australia.

UPDATED INFORMATION

Information in this PDS may need to be updated from time to time. Any updated information that is considered not materially adverse to investors will be made available on the Offer website: www.magellanhighconvictiontrust.com.au and Magellan will provide a copy of the updated information, free of charge to any investor who requests a copy by contacting the Magellan High Conviction Trust Offer Information Line on 1800 222 722 within Australia or +61 2 9290 9699 outside Australia.

In accordance with its obligations under the Corporations Act, Magellan may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction with this PDS prior to making any investment decision.

CURRENCY

References in this PDS to currency are to Australian dollars unless otherwise indicated.

TIME

All references to time in this PDS refer to the local time in Sydney, Australia unless stated otherwise.

GLOSSARY

Certain terms and abbreviations in this PDS have defined meanings that are explained in Section 13. Defined terms are generally identifiable by the use of an upper case first letter.

DIAGRAMS

Diagrams used in this PDS are illustrative only.

TRUST WEBSITE

Any references to documents included on the Trust or Magellan's website are provided for convenience only, and none of the documents or other information on those websites is incorporated by reference into this PDS.

DATA

All data contained in charts, graphs and tables is based on information available as at 31 July 2019 unless otherwise stated.

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Important Dates

| | |
|---|-------------------|
| Lodgement of the PDS with ASIC | 13 August 2019 |
| Offer opens | 21 August 2019 |
| Offer closes | 27 September 2019 |
| Expected date for the allotment of Units under the Offer | 8 October 2019 |
| Expected date for dispatch of holding statements | 8 October 2019 |
| Trading of Units commences on ASX (on a normal settlement basis) | 11 October 2019 |
| Loyalty Unit Determination Date and IPO Foundation Unit Determination Date | 31 December 2019 |
| Loyalty Unit Issue Date and IPO Foundation Unit Issue Date | 15 January 2020 |

The above timetable is indicative only. Magellan reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable law. In particular, Magellan reserves the right to close the Offer early, extend the Closing Date, withdraw the Offer or accept late Applications (generally or in particular cases) without notifying any recipients of this PDS or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.



Dear Investor,

It gives us great pleasure to invite you to become an investor in the Magellan High Conviction Trust (the "Trust").

The Trust will invest in a global equities portfolio of Magellan's highest conviction ideas which aims to deliver investors attractive risk-adjusted returns over the medium to long-term. The Trust will also have a Target Cash Distribution yield of 3% per annum and will apply to have its Units listed on the ASX.

The Investment Strategy of the Trust is simple – it will invest in Magellan's eight to 12 best ideas. The Trust will hold investments in high quality businesses, as assessed by Magellan, at prices that represent a discount to our assessment of intrinsic value. The Investment Strategy of the Trust replicates the Magellan High Conviction Fund ("MHCF") which has achieved returns of 16.6% per annum net of fees since inception on 1 July 2013¹. The Portfolio of the Trust will be managed by Hamish Douglass and Chris Wheldon who are the portfolio managers for MHCF.

The Trust provides investors with an ASX-listed access point to globally diversify their savings and wealth. Magellan has a long track record in global investing, having commenced its management business in 2006 and we believe it is important for Australian investors to have meaningful exposure to international companies and themes that they may not be able to find in the Australian equities investment universe.

All costs of the Offer will be paid for by the Magellan Group in cash. This means investors will subscribe for Units in the Trust at a price equal to the pro forma NAV per Unit after completion of the Offer. Importantly, the initial investable cash of the Trust will also be identical to the capital raised under the Offer, ensuring investors are generating returns on every dollar they invest in the Trust. Investors may also benefit from an attractive distribution reinvestment plan with a 5% discount to the NAV per Unit in respect of the Target Cash Distribution and with the full cost of the discount to be paid for by the Magellan Group.

Existing investors in MHCF, Magellan Global Trust and Magellan Financial Group Limited are invited to invest in the Trust via the Priority Offer. By participating in the Priority Offer, Priority Applicants may be eligible to receive valuable Loyalty Units up to 7.5% of the number of Units allotted to them under the Priority Offer. Magellan would also like to welcome investors applying via the Wholesale Offer and the General Public Offer and show our appreciation to them for choosing the Trust and Magellan to manage their savings. Applicants under the Wholesale Offer and the General Public Offer may be eligible to receive IPO Foundation Units up to 2.5% of the number of Units allotted to them under the Wholesale Offer or General Public Offer (as applicable). The Magellan Group will bear the economic cost of the Loyalty Units and IPO Foundation Units. Full details are set out in Section 5 of this PDS.

We are excited about making this Investment Strategy available to investors on the ASX through the Trust. Hamish intends to take up his entitlement under the Priority Offer and subscribe for \$20 million worth of Units in the Trust under the Wholesale Offer via a personal investment company.

Like all investments, there are a number of risks to investing in the Trust. These risks are set out in Section 6 of this PDS which we encourage you to read in full.

Yours sincerely,

Robert Fraser
Chairman of Magellan Asset Management Limited

Hamish Douglass
Portfolio Manager, Magellan High Conviction Trust

¹ As at 31 July 2019. Magellan considers that the performance of the Class A units of MHCF is the most relevant comparison as it employs the same investment strategy and fee structure as the Trust, however investors should note the performance of MHCF does not represent the actual performance of the Trust and MHCF's historical performance is not indicative of the Trust's future performance.

1. Key Information

This is a summary only. This PDS should be read in full before making any decision to apply for Units.

| Question | Answer | For more information |
|---|--|----------------------|
| A. About the Magellan High Conviction Trust and Investment Overview | | |
| What is the Magellan High Conviction Trust? | The Magellan High Conviction Trust ("Trust") is a unit trust which has been registered as a managed investment scheme under the Corporations Act and will apply to be admitted to the official list of ASX as an investment entity. | Section 4 |
| What is the proposed ASX code? | MHH. | n/a |
| Who is the responsible entity and investment manager of the Trust? | Magellan Asset Management Limited (ABN 31 120 593 946) ("Magellan") is the responsible entity and investment manager of the Trust. Magellan is a wholly owned subsidiary of Magellan Financial Group Limited ("MFG"), which is listed on the ASX. | Section 4 |
| What experience does the investment manager have? | Magellan has a long track record in global investing, having commenced its funds management business in 2006. It currently manages approximately \$90 billion in funds under management as at the date of this PDS for retail, high-net worth and institutional clients. | Section 3 |
| Who are the portfolio managers? | Hamish Douglass (Co-Founder and Chairman of MFG and Chief Investment Officer of Magellan) and Chris Wheldon (Portfolio Manager at Magellan) are the Portfolio Managers responsible for the investment decisions for the Trust. | Section 3 |
| What is the Trust's investment objective? | The investment objective of the Trust is to achieve attractive risk-adjusted returns over the medium to long-term. | Section 2 |
| What is the Investment Strategy? | The Portfolio will typically comprise 8 to 12 investments, weighted towards Magellan's highest conviction ideas, as assessed by the Portfolio Managers. Magellan seeks to invest in a focused portfolio of outstanding global companies and seeks to purchase investments when they are trading at a discount to Magellan's assessment of their intrinsic value. Magellan undertakes extensive fundamental analysis on the individual companies and the industries in which they operate. Magellan believes that outstanding companies are those that are sustainably able to exploit competitive advantages in order to earn returns on capital that are in excess of their cost of capital. Magellan also undertakes detailed macroeconomic analysis in order to take advantage of mispricing of economic cycles and to manage investment risk. Magellan is able to invest up to 50% of the Trust's gross assets in cash and cash equivalents. Magellan focuses on generating attractive absolute returns over the medium to long term, rather than benchmark-relative returns. The Investment Strategy is benchmark agnostic as the Investment Strategy has few similarities to market benchmarks or share market indices. The Trust may also manage its foreign currency exposure arising from investments in overseas markets. | Section 2 |
| What disclosures will Magellan make around the value of the Trust and the Portfolio? | Magellan intends to make the following disclosures in relation to the value of the Trust and the Portfolio: <ul style="list-style-type: none"> • NAV per Unit published on Magellan's website daily and on ASX weekly; • Indicative intra-day NAV per Unit ("iNAV") published on Magellan's website daily and which is updated throughout the ASX trading day; • Monthly Trust factsheets on Magellan's website and ASX; and • The full Portfolio annually on ASX. | Section 4 |

| Question | Answer | For more information |
|---|---|--------------------------------------|
| <p>Will the Trust pay distributions?</p> | <p>Magellan intends to target a cash distribution yield of 3% per annum ("Target Cash Distribution") based on the average of the month-end NAV per Unit over a two year rolling period. The Target Cash Distribution will be paid semi-annually, with the actual amount for each period determined using the average of the month-end NAV per Unit over the two year period ending on the last Business Day of the prior distribution period.</p> <p>For the first two years, Magellan intends to pay the following Target Cash Distributions:</p> <ul style="list-style-type: none"> • \$0.0225 per Unit for the period from the Allotment Date to 31 December 2019; • \$0.0225 per Unit for the six months ending 30 June 2020; • \$0.0225 per Unit for the six months ending 31 December 2020; and • \$0.0225 per Unit for the six months ending 30 June 2021; <p>Magellan will announce the Trust's Target Cash Distribution per Unit on ASX at the beginning of each semi-annual distribution period.</p> <p>Magellan expects that the distribution policy will provide Unitholders with greater certainty on the amount of upcoming distributions.</p> <p>Under the AMIT rules, investors will be assessed for tax on the income of the Trust attributed to you. Where the income of the Trust exceeds the Target Cash Distribution, the Constitution permits Magellan to reinvest part or all of your distribution and/or accumulate part or all of the Trust's income in the Trust, in which case, under the AMIT rules, the income of the Trust that is attributed to you (and which must be included in your income tax return) will be more than the cash distribution paid.</p> <p>Magellan retains the discretion to amend the distribution policy of the Trust.</p> | <p>Section 4</p> |
| <p>Will distributions be franked?</p> | <p>Distributions are paid to investors on a pre-tax basis and will typically be unfranked. Distributions may be franked to the extent the Trust earns franked dividends from investments in the Portfolio, for example if the Trust invests in the shares of an Australian company.</p> | <p>Section 4</p> |
| <p>Will there be a distribution reinvestment plan?</p> | <p>Yes. Magellan has established a DRP in respect of distributions made by the Trust.</p> <p>In respect of each Target Cash Distribution, Magellan may elect to offer or not offer the DRP. Under the DRP, Unitholders may elect to have all or part of their Target Cash Distribution reinvested as additional Units in the Trust. The DRP Rules provide detail on the methodology for determining the price at which Units are issued to Unitholders and can be found at www.magellangroup.com.au. Magellan intends to offer Unitholders who elect to participate in the DRP in respect of the Target Cash Distribution an issue price which is currently set at a 5% discount to the NAV per Unit as defined in the DRP Rules. As an additional benefit to Unitholders and to ensure that Unitholders who elect not to participate in the DRP suffer no dilution as a result of the DRP discount, the Magellan Group will pay the Trust an amount equal to the cost of this discount in accordance with the terms of the MFG Commitment Deed.</p> <p>Elections to participate in the DRP in respect of the Target Cash Distribution can be made via the Application Form attached to this PDS or must be made by the election date announced by Magellan in respect of each relevant Target Cash Distribution.</p> <p>Under the DRP Rules, no discount is applicable to Units issued in respect of the distribution in excess of the Target Cash Distribution.</p> | <p>Section 4</p> |
| <p>What are the key benefits associated with an investment in the Trust?</p> | <p>The Offer provides investors with an opportunity to invest in an ASX listed investment trust which aims to provide investors with:</p> <ul style="list-style-type: none"> • Access to the investment experience and expertise of Magellan; • Exposure to a concentrated portfolio of high quality global companies weighted towards Magellan's highest conviction ideas; • Capital growth over the medium to long term; • An attractive Target Cash Distribution yield of 3% per annum; • An attractive DRP with a 5% discount to the NAV per Unit in respect of the Target Cash Distribution with the discount being paid by the Magellan Group; • A Pro Forma NAV per Unit equal to the Offer Price as the Magellan Group is paying for all costs associated with the Offer; • Transparency in relation to the value of the Trust; • For Applicants eligible to participate in the Priority Offer, a benefit in the form of 7.5% of the number of Units allotted to the Applicant under the Priority Offer, subject to the Applicant's Unitholding on the Loyalty Unit Determination Date; and • For Applicants under the Wholesale Offer and General Public Offer, a benefit in the form of 2.5% of the number of Units allotted to the Applicant under the Wholesale Offer or General Public Offer (as applicable), subject to the Applicant's Unitholding on the IPO Foundation Unit Determination Date. | <p>Sections 2, 3, 4 and 5</p> |

| Question | Answer | For more information |
|--|--|-------------------------|
| <p>What are the key risks associated with an investment in the Trust?</p> | <p>There are a number of risks associated with investing in the Trust which are set out in further detail in Section 6 of this PDS. Key risks specific to an investment in the Trust include:</p> <ul style="list-style-type: none"> a) ASX liquidity risk: The liquidity of trading in Units on ASX may be limited at times and may affect an investor’s ability to buy or sell Units. b) Company specific risk: The value of the Trust’s investments in a company’s securities may be impacted by the risks to which that particular company is itself exposed. c) Concentration risk: The investment returns of the Trust may be dependent upon the performance of a small number of individual companies in the Portfolio. d) Conflicts of interest risk: Magellan and its various service providers may from time to time have potential conflicts of interest with the Trust. Such conflicts of interest include but are not limited to: management of multiple accounts with varying fee arrangements, trade allocation, proxy voting and staff personal trading. Magellan maintains a Conflicts of Interest Policy to ensure that it manages its obligations to the Trust such that all conflicts (if any) are resolved fairly. e) Counterparty risk: There is a risk that the Trust may incur a loss arising from the failure of another party to a contract (the counterparty) to meet its obligations. f) Currency management risk: The Trust’s foreign currency exposure may at times negatively impact investment values and returns. There is also a risk that the Trust’s currency management activities might not be effective and may lose the Trust money. g) Derivative risk: The value of a derivative can be highly volatile and may change due to factors including movements in the value of the underlying asset, potential liquidity of the derivative and counterparty credit risk. h) DRP issue price risk: Because Units issued under the DRP are issued at the NAV per Unit or a discount to the NAV per Unit, there is a risk that the DRP issue price could be at a premium to the trading price of Units on ASX at the time of issue. i) Distribution policy risk: Under the distribution policy for the Trust, there may be circumstances where the distribution received by Unitholders in cash may be insufficient to cover a Unitholder’s tax payable on the income of the Trust attributed to the Unitholder. j) iNAV risk: The iNAV published by the Trust is indicative only and might not be up to date or might not accurately reflect the underlying value of the Trust. k) IPO Foundation Unit vesting risk: Wholesale Applicants and General Public Applicants eligible to receive IPO Foundation Units are required to be unitholders in the Trust on 31 December 2019 (“IPO Foundation Unit Determination Date”). Wholesale Applicants and General Public Applicants who, on this date, hold a lower number of Units than allotted to them under the Wholesale and General Public Offers will receive a number of IPO Foundation Units which is proportionally lower (rounded down to the nearest whole Unit) than the amount that they may have received had they held at least the same number of Units allotted to them. Wholesale Applicants and General Public Applicants who, on the IPO Foundation Unit Determination Date, do not hold any Units will not receive IPO Foundation Units. Wholesale Applicants and General Public Applicants who transfer their allotted Units to a different HIN, SRN or Intermediary in the period after allotment of Units under the Offer and prior to the IPO Foundation Unit Determination Date will not receive IPO Foundation Units. l) Leverage risk: The Trust may borrow against all or part of the Portfolio to fund a buyback of Units and/or for investment purposes. Borrowings can magnify the gains and losses in the Trust. m) Liquidity of investments risk: Under extreme market conditions, the Trust may be unable to liquidate sufficient assets to meet its obligations within required timeframes or it may be required to sell assets at a substantial loss in order to do so. n) Loyalty Unit vesting risk: Priority Applicants eligible to receive Loyalty Units are required to be unitholders in the Trust on 31 December 2019 (“Loyalty Unit Determination Date”). Priority Applicants who, on this date, hold a lower number of Units than allotted to them under the Priority Offer will receive a number of Loyalty Units which is proportionally lower (rounded down to the nearest whole Unit) than the amount they may have received had they held at least the same number of Units allotted to them. Priority Applicants who, on the Loyalty Unit Determination Date, do not hold any Units will not receive Loyalty Units. Priority Applicants who transfer their allotted Units to a different HIN, SRN or Intermediary in the period after allotment of Units under the Offer and prior to the Loyalty Unit Determination Date will not receive Loyalty Units. o) Market risk: There is a risk that the market price of the Trust’s assets and investments will fluctuate. p) Operational risk: The risk that inadequacies with systems and procedures or the people operating them could lead to a problem with the Trust’s operation and result in a decrease in the value of Units. q) Performance risk: There is a risk that the Trust may not achieve its investment objectives. | <p>Section 6</p> |

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| Question | Answer | For more information |
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| | <p>r) Personnel risk: The skill and performance of Magellan as investment manager can have a significant impact (both directly and indirectly) on the investment returns of the Trust. Changes in key personnel and resources of Magellan may also have a material impact on investment returns of the Trust.</p> <p>s) Price of Units on ASX risk: The price at which the Trust's Units trade on ASX may not equal the underlying value of the Portfolio as reflected in its NAV per Unit. The Trust's Units may trade on ASX at a discount or a premium to the Trust's NAV per Unit. As such, there is a risk that Unitholders may not be able to sell their investment in the Trust at the Trust's NAV per Unit.</p> <p>t) Regulatory risk: There is a risk that a change in laws and regulations could have an adverse impact on the Trust or on the Trust's investments.</p> <p>u) Target Cash Distribution risk: The Target Cash Distribution is calculated as a percentage of the average of the month-end NAV per Unit over a two year rolling period and therefore there is a risk that the Target Cash Distribution in cents per Unit may decline in some periods if the Trust's NAV per Unit declines. There is also a risk that, in the future, Magellan changes the target level for Target Cash Distributions.</p> <p>v) Trust risk: Trust risk refers to specific risks associated with the Trust, such as termination and changes to fees and expenses. The performance of the Trust or the security of an investor's capital is not guaranteed. An investment in the Trust is governed by the terms of the Constitution and this PDS, each as amended from time to time, and the rules of the ASX.</p> | Section 6 |
| B. Fees and Costs | | |
| What fees will Magellan receive? | <p>Management Costs <u>Management fees</u> Magellan is entitled to receive management fees of 1.50% (exclusive of GST) per annum of the NAV (before fees) of the Trust. The management fees are calculated daily based on the NAV (before fees) of the Trust on that Business Day. An estimate is accrued daily in the NAV per Unit and the fees are payable monthly in arrears.</p> <p><u>Performance fee</u> Magellan may be entitled to a performance fee of 10% (exclusive of GST) of the Excess Return of the Trust above the Absolute Return Performance Hurdle (10% per annum) over each six-month period ending 30 June and 31 December in each year ("Calculation Period"). Performance fees are accrued daily in the NAV. Performance fees are paid subject to the performance hurdles and the High Water Mark being met for the relevant Calculation Period.</p> | Section 7 |
| C. About the Offer | | |
| Who is the issuer of the Units, and this PDS? | Magellan Asset Management Limited. | Section 5 |
| What is the Offer? | <p>The Offer comprises an offer of Units at an Offer Price of \$1.50 per Unit to raise a minimum of \$250 million.</p> <p>The Offer comprises a Priority Offer, a Wholesale Offer and a General Public Offer. Magellan has not set an upper limit on the amount that can be raised under the Offer due to the nature of the Priority Offer and potential number of Applicants, particularly in respect of those applying through Intermediaries. Further information is set out in Section 5.11. Magellan has the discretion to scale back Applications made under each of the Offers.</p> | Section 5 |
| What is the pro forma Net Asset Value ("NAV") backing per Unit? | <p>\$1.50</p> <p>The Pro Forma NAV per Unit will equal the Offer Price as the Magellan Group will pay for all costs associated with the Offer in cash.</p> | Section 9 |

| Question | Answer | For more information |
|---|---|----------------------|
| Who can participate in the Priority Offer? | <p>The Priority Offer is open to any person who has a registered address in Australia or New Zealand and who, as at 5.00pm (Sydney time) on 12 August 2019, was a direct or indirect unitholder in Magellan Global Trust (ASX: MGG), the Magellan High Conviction Fund (ARSN: 164 285 947) or a shareholder in Magellan Financial Group Limited (ASX: MFG) (each an "Eligible Vehicle").</p> <p>A direct holder is a registered shareholder or registered unitholder of an Eligible Vehicle ("Direct Magellan Holder"). Any person invested in an Eligible Vehicle indirectly through an Intermediary ("Indirect Magellan Holder") on the Priority Determination Date may participate in the Priority Offer via their Intermediary, or directly through the Unit Registry under certain circumstances. Please refer to Section 5.2 for more information on how an Indirect Magellan Holder may participate in the Priority Offer.</p> <p>Priority Applicants are invited to subscribe under the Priority Offer for up to 33,334 Units, equivalent to approximately \$50,000. Priority Applicants with more than one holding across the Eligible Vehicles may participate in the Priority Offer for up to 33,334 Units in respect of each holding.</p> <p>Priority Applicants are able to subscribe for a lower number of Units than the number for which they have been invited to subscribe. However, all Applicants must subscribe for a minimum of 1,500 Units (\$2,250) to participate in the Offer.</p> <p>Priority Applicants who wish to subscribe for Units in excess of the number of Units for which they have been invited to subscribe under the Priority Offer will need to apply for Units under either the Wholesale Offer or General Public Offer.</p> <p>Priority Applicants will be taken to have applied for a number of additional Units, being Loyalty Units, equivalent to 7.5% of the number of Units allotted to them under the Priority Offer (rounded down to the nearest whole Unit). The economic cost associated with the issue of the Loyalty Units will not be borne by the Trust or its Unitholders. The Magellan Group will bear the economic cost associated with the Loyalty Units in accordance with the terms of the MFG Commitment Deed as set out in Section 12.3.</p> <p>Further information on the Priority Offer is set out in Section 5.</p> | Section 5 |
| When will Priority Applicants receive their Loyalty Units? | <p>Priority Applicants need to be a unitholder (either directly as a Unitholder or indirectly via the Intermediary through which they were allotted Units) in the Trust on the Loyalty Unit Determination Date of 31 December 2019 in order to receive Loyalty Units.</p> <p>Priority Applicants who, on the Loyalty Unit Determination Date, hold at least the same number of Units allotted to them under the Priority Offer will receive 100% of their Loyalty Units.</p> <p>Priority Applicants who, on the Loyalty Unit Determination Date, hold a lower number of Units than allotted to them under the Priority Offer will receive a number of Loyalty Units which is proportionally lower (rounded down to the nearest whole Unit) than the amount they may have received had they held at least the same number of Units allotted to them under the Priority Offer.</p> <p>Priority Applicants who, on the Loyalty Unit Determination Date, do not hold any Units will not receive any Loyalty Units.</p> <p>Trading in Units in the Trust on ASX will ordinarily settle two Business Days after trade date (in the same way as other ASX listed securities). Therefore, Priority Applicants who have been allotted Units under the Priority Offer should be aware that any Units purchased on or after 30 December 2019 or sold before 30 December 2019 will not be recognised on the Unit register on the Loyalty Unit Determination Date</p> <p>It is expected that Loyalty Units will be issued on or around 15 January 2020.</p> | Section 5 |
| Who can participate in the Wholesale Offer? | <p>The Wholesale Offer is open to Wholesale Clients and AFSL holders (applying on behalf of their clients) who have received an invitation from Magellan to participate in the Wholesale Offer.</p> <p>Wholesale Applicants will be taken to have applied for a number of additional Units, being IPO Foundation Units, equivalent to 2.5% of the number of Units allotted to them under the Wholesale Offer (rounded down to the nearest whole Unit). The economic cost associated with the issue of the IPO Foundation Units will not be borne by the Trust or its Unitholders. The Magellan Group will bear the economic cost associated with the IPO Foundation Units in accordance with the terms of the MFG Commitment Deed as set out in Section 12.3.</p> | Section 5 |
| Who can participate in the General Public Offer? | <p>Members of the general public who have a registered address in Australia and New Zealand can participate in the General Public Offer. General Public Applicants should follow the instructions in Section 5.</p> <p>General Public Applicants will be taken to have applied for a number of additional Units, being IPO Foundation Units, equivalent to 2.5% of the number of Units allotted to them under the General Public Offer (rounded down to the nearest whole Unit). The economic cost associated with the IPO Foundation Units will not be borne by the Trust or its Unitholders. The Magellan Group will bear the economic cost associated with the IPO Foundation Units in accordance with the terms of the MFG Commitment Deed as set out in Section 12.3.</p> | Section 5 |

For personal use only

| Question | Answer | For more information |
|--|--|----------------------|
| When will Wholesale and General Public Offer Applicants receive their IPO Foundation Units? | <p>Wholesale Applicants and General Public Applicants need to be a unitholder (either directly as a Unitholder or indirectly via the Intermediary through which they were allotted Units) in the Trust on the IPO Foundation Unit Determination Date of 31 December 2019 in order to receive IPO Foundation Units.</p> <p>Wholesale Applicants and General Public Applicants who, on IPO Foundation Unit Determination Date, hold at least the same number of Units allotted to them under the Wholesale Offer or General Public Offer (as applicable) will receive 100% of their IPO Foundation Units.</p> <p>Wholesale Applicants and General Public Applicants who, on the IPO Foundation Unit Determination Date, hold a lower number of Units than allotted to them under the Wholesale Offer or General Public Offer (as applicable) will receive a number of IPO Foundation Units which is proportionally lower (rounded down to the nearest whole Unit) than the amount they may have received had they held at least the same number of Units allotted to them under the Wholesale Offer or General Public Offer (as applicable).</p> <p>Wholesale Applicants and General Public Applicants who, on the IPO Foundation Unit Determination Date, do not hold any Units will not receive any IPO Foundation Units.</p> <p>Trading in Units in the Trust on ASX will ordinarily settle two Business Days after trade date (in the same way as other ASX listed securities). Therefore, Wholesale Applicants and General Public Applicants who have been allotted Units under the Wholesale Offer or General Public Offer (as applicable) should be aware that any Units purchased on or after 30 December 2019 or sold before 30 December 2019 will not be recognised on the Unit register on the IPO Foundation Unit Determination Date.</p> <p>It is expected that IPO Foundation Units will be issued on or around 15 January 2020.</p> | |
| Is the Offer underwritten? | No. | Section 5 |
| What are the fees and costs of the Offer? | The fees and costs associated with the Offer will be borne by the Magellan Group. | Section 12 |
| Is there a Minimum Subscription for the Offer to proceed? | Yes, a Minimum Subscription of \$250,000,000, which equates to 166,666,667 Units, is required in order for the Offer to proceed. | Section 5 |
| Is there a minimum subscription amount for each Application? | Yes, each Applicant under the Offer must subscribe for a minimum subscription amount of \$2,250 which equates to 1,500 Units (at the Offer Price of \$1.50 per Unit). | Section 5 |
| Is there a cooling off period? | No. | Section 5 |
| How can I obtain further information in relation to the Offer? | <p>If you would like more information or have any questions relating to the Offer, you can refer to the Offer website at www.magellanhighconvictiontrust.com.au or contact the Magellan High Conviction Trust Offer Information Line on 1800 222 722 (within Australia) or +61 2 9290 9699 (outside Australia) between 8:30am and 5:00pm (Sydney time) Monday to Friday.</p> <p>If you are uncertain as to whether an investment in the Trust is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.</p> | Section 5 |

2. Overview of the Investment Strategy

2.1 Investment Objective

The investment objective of the Trust is to achieve attractive risk-adjusted returns over the medium to long-term.

The Trust offers investors the opportunity to invest in a concentrated portfolio of high quality global companies, as assessed by Magellan and benefit from capital growth over the medium to long term.

2.2 Investment Strategy

The Portfolio will typically comprise 8 to 12 investments, weighted towards Magellan's highest conviction ideas, as assessed by the Portfolio Managers.

Magellan seeks to invest in a focused portfolio of outstanding global companies and seeks to purchase investments when they are trading at a discount to Magellan's assessment of their intrinsic value. Magellan undertakes extensive fundamental analysis on the individual companies and the industries in which they operate.

Magellan believes that outstanding companies are those that are sustainably able to exploit competitive advantages in order to earn returns on capital that are in excess of their cost of capital.

Magellan also undertakes detailed macroeconomic analysis in order to take advantage of mispricing of economic cycles and to manage investment risk. Magellan is able to invest up to 50% of the Trust's gross assets in cash and cash equivalents and borrow up to 20% of the Trust's gross assets.

Magellan focuses on generating attractive absolute returns over the medium to long term, rather than benchmark relative returns. The Investment Strategy is benchmark agnostic as the strategy has few similarities to market benchmarks or share market indices.

The Trust may also manage its foreign currency exposure arising from investments in overseas markets.

The Trust's Investment Strategy is the same that Magellan employs in the Magellan High Conviction Fund ("MHCF") which was established on 1 July 2013 and as at the date of this PDS has \$678 million of funds under management. Magellan is the responsible entity and investment manager of MHCF.

The below table shows the holdings of MHCF at 30 June 2019.

| Holdings | |
|-----------------------|---------------------------------------|
| Microsoft Corporation | HCA Healthcare Inc |
| Facebook Inc | Starbucks Corp |
| Alphabet Inc | LVMH Moet Hennessy - Louis Vuitton SE |
| Visa Inc | SAP SE |
| Apple Inc | Berkshire Hathaway Inc |

2.3 Historical Performance

The Trust's Investment Strategy is the same that Magellan employs in the MHCF. The below table outlines the performance for the MHCF as at 31 July 2019 since inception for the Class A units, which have the same management costs as the Trust. Calculations are based on exit prices with distributions reinvested in the same portfolio, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Magellan considers that the performance of MHCF is the most relevant comparison as it employs the same Investment Strategy as the Trust. Investors should note that the performance of MHCF does not represent the actual performance of the Trust and MHCF's past performance is not indicative of the Trust's future performance.

| Performance | 3 months | 6 months | 1 year | 3 years (% p.a.) | 5 years (% p.a.) | Since Inception (% p.a.) |
|---|----------|----------|--------|---------------------|---------------------|-----------------------------|
| Magellan High Conviction Fund Class A units | 3.82% | 13.84% | 14.76% | 17.41% | 16.54% | 16.57% |

MHCF is a registered managed investment scheme that is structured as an open-ended unit trust. As such, its cash flows are affected by applications and redemptions by investors. MHCF, being open-ended, may receive cash inflows via investments from investors and is accordingly able to redeploy capital without necessarily selling down any securities it already holds. MHCF can also be subject to cash outflows due to investors redeeming investments and units that may need to be funded by the entity having to sell down security positions.

By contrast, the Trust is a closed-end investment vehicle and therefore there is no ability for investors to apply to, or redeem from, the Trust on a daily basis

2.4 Investment process

Magellan's investment process integrates three key disciplines:

1. intensive bottom-up stock analysis and industry research;
2. broad and detailed macroeconomic insight; and
3. rigorous portfolio construction and risk discipline.

Intensive bottom-up stock analysis and industry research

Magellan undertakes in-depth, proprietary company research, seeking to identify sustainable competitive advantages that enable businesses to generate excess returns on capital and predictable cash flow streams. This information is then used to identify stock valuation anomalies. Company research includes an assessment of a company's inherent quality based on the following specific key quality criteria:



Broad and detailed macroeconomic insight

Magellan undertakes proprietary macroeconomic research in order to identify and manage risks and opportunities presented by the macroeconomic environment.

Rigorous portfolio construction and risk discipline

Magellan views both portfolio construction and formal risk controls as important processes in protecting the Portfolio from external shocks. These processes seek to ensure the Portfolio is not overly exposed to aggregation risk (which arises from correlated portfolio positions) or macroeconomic event risk.

2.5 Permitted investments

Whilst the Trust will invest predominantly in global listed securities, it is permitted to invest in a wide variety of assets, including but not limited to the following:

- a) securities quoted (or soon to be quoted) on a global securities exchange including ASX;
- b) specialised investment trusts and other pooled investment vehicles;
- c) unlisted securities;
- d) options to purchase or sell any investment which is a permitted investment;
- e) discounted or purchased bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or any corporation;
- f) convertible notes or preference shares;
- g) equity swaps; and
- h) foreign exchange contracts.

2.6 Investment parameters

The key investment parameters for the construction of the Portfolio will be based on the following principles:

| Exposure | Guidelines | |
|---|--|-------------------------|
| Number of companies | Typically, 8-12 companies. | |
| Asset classes and asset allocation ranges | Asset class | Investment range |
| | Securities | 50% - 100% |
| | Cash & cash equivalents | 0% - 50% |
| Geographical | The Trust will invest in securities listed on global securities exchanges. | |
| Industry/Sector | No limitations, subject to Magellan's commitment to responsible investing (refer to Section 2.7). | |
| Currency hedging | The Trust may manage its foreign currency exposure arising from investments in overseas markets. | |
| Borrowing policy | The Trust may borrow against all or part of the Portfolio, provided that, at the time, aggregated borrowings do not exceed 20% of the Trust's gross asset value. The Trust may borrow for the predominant purpose of funding a buyback of Units and may also, at times, borrow for investment purposes. | |

Derivatives

The Trust may use derivatives for the predominant purpose of managing foreign currency exposures.

2.7 Responsible investment

Magellan is committed to responsible investment and became a signatory to the United Nations-sponsored Principles of Responsible Investment ("PRI") in March 2012. The PRI is the globally recognised accord for responsible investing. ESG issues are considered to be a natural component of Magellan's investment process, as gaining a robust understanding of these issues is a key input to assessing the outlook for future cash flow generation and risks facing investors. Magellan seeks to apply a rigorous assessment of ESG issues as part of its investment process and act as a responsible owner by engaging with Portfolio companies where a material ESG issue exists and exercising its proxy voting rights where appropriate. Magellan maintains an ESG policy, which outlines how ESG issues are incorporated into Magellan's investment analysis framework and investment process.

The Trust will not invest in companies engaged in "high roller" casino gaming and the production of tobacco.

In May 2017, Magellan became a signatory of the PRI Montreal Pledge. Under the Pledge, Magellan commits to measure and publicly disclose the carbon footprint of its actively managed investment portfolios. As such Magellan will publicly disclose the carbon footprint of the Portfolio.

2.8 Allocation policy

Magellan is also responsible for managing a number of other funds and investment mandates (collectively "Clients") and it applies the same general investment philosophy and methodology in managing each of them (subject to any investment restrictions or guidelines specific to any vehicle). Therefore, it is not uncommon for Magellan to be purchasing or selling the same security on behalf of several Clients at or about the same time. Trade allocation is determined on a basis that is fair, reasonable and equitable to all of Magellan's Clients to avoid any Client receiving preferential treatment. This process is generally facilitated by amalgamating Client orders placed for the same security and trading strategy into a single block-booked trade. In situations where a trade involving two or more Clients receives a partial fill, allocations are applied equitably on a pro-rata basis to the respective Client accounts. In the instance where an allocation to a Client account would be very small, Magellan's trading procedures allow for allocation discretion.

2.9 Labour standards and environmental, social and ethical considerations

Magellan believes that issues relating to labour standards, and to environmental, social and ethical considerations have the potential to affect the business outcomes of the Trust's investment companies. Accordingly, Magellan reviews labour standards, environmental, social and ethical considerations as part of the risk assessment that is completed when it determines the investment grade status of a company.

2.10 Changes to the Investment Strategy

Magellan has the right to change the Trust's investment return objective, asset classes and asset allocation ranges and currency strategy (if any), without prior notice in some cases. Magellan will inform investors of any material changes to the Trust's details in its next regular communication or as otherwise required by law.

3. About the Investment Manager

3.1 Overview of the investment manager

The Trust's Investment Strategy will be implemented by the investment manager, Magellan, which holds AFSL 304 301.

Magellan is a specialist investment management business based in Sydney and manages global equities and global listed infrastructure equities investment strategies. Established in 2006, Magellan employs a team of experienced investment professionals.

Magellan is the wholly owned operating subsidiary of Magellan Financial Group Limited which is listed on ASX (ASX: MFG).

3.2 Role of the investment manager

As the investment manager, Magellan is responsible for selecting and managing the investments of the Trust.

Magellan will:

- (a) implement the Investment Strategy, including actively manage and supervise the Trust's investments;
- (b) manage the Trust's exposure to markets, derivatives and cash; and
- (c) regularly update investors regarding the Trust.

3.3 Investment team

As at 31 July 2019, Magellan's investment team comprised 29 investment professionals, with expertise across different industries, and three trading professionals.

Hamish Douglass is Co-Founder and Chairman of MFG, Chief Investment Officer of Magellan and is the Lead Portfolio Manager of Magellan's Global Equities strategies. Hamish Douglass and Chris Wheldon will be Portfolio Managers of the Trust and will be supported by Magellan's investment team. This team is organised into sector teams, with investment analysts responsible for global industry coverage within their assigned sector(s) as set out below.

| | | |
|---|-------------------|---|
| Franchises¹ | Financials | Infrastructure & Industrials |
| Technology, Communications & Media | Healthcare | Macro |

¹ Includes Household and Personal Care, Food, Consumer Staples and Retailing, Restaurants, Textiles, Apparel and Luxury Goods and specialty retailing.

Portfolio Managers to the Trust

| Portfolio Manager | Biography |
|--------------------------|--|
| Hamish Douglass | Hamish Douglass is Co-Founder and Chairman of MFG, Chief Investment Officer of Magellan and is the Lead Portfolio Manager of Magellan's Global Equities strategies. Prior to Magellan, Mr Douglass was Co-Head of Global Banking for Deutsche Bank AG in Australia and New Zealand. Mr Douglass is a former member of the Australian Government's Financial Literacy Board, the Australian Government's Takeovers Panel, the Australian Government's Foreign Investment Review Board and the Forum of Young Global Leaders – World Economic Forum. Mr Douglass is a Director of the Victor Chang Cardiac Research Institute. |
| Chris Wheldon | Chris Wheldon joined Magellan in 2007 and spent nine years as a senior investment analyst working in the Franchise Team and as Head of the Industrials Team. Mr Wheldon left Magellan in 2016 to work at the US-based Davis Selected Advisors as an investment analyst and re-joined Magellan in 2018 as a Portfolio Manager of Magellan's High Conviction Fund and an Assistant Portfolio Manager on Magellan's Global Equities strategies. Chris is a CFA Charterholder and holds a Bachelor of Commerce and a Bachelor of Business Management from The University of Queensland. |

4. About the Magellan High Conviction Trust

4.1 Introduction

The Trust is an Australian registered managed investment scheme structured as a unit trust, which has been registered with ASIC and is expected to be admitted to the official list of ASX on or around 11 October 2019. The registration date of the Trust is 16 July 2019.

4.2 About the responsible entity

The responsible entity of the Trust is Magellan, a wholly owned subsidiary of MFG, which is listed on ASX.

Magellan holds an Australian Financial Services Licence issued by ASIC, which authorises it to operate the Trust.

Magellan's Board comprises the following Directors:

- Robert Fraser, Non-executive Chairman;
- Brett Cairns, CEO;
- John Eales AM, Non-executive Director;
- Paul Lewis, Non-executive Director;
- Hamish McLennan, Non-executive Director;
- Kirsten Morton, Chief Financial Officer; and
- Karen Phin, Non-executive Director.

Biographies for each of the Directors can be found at www.magellangroup.com.au/about/director-profiles/.

4.3 Role of the responsible entity

As responsible entity of the Trust, Magellan is bound by the Constitution of the Trust, the Corporations Act and the ASX Listing Rules. Magellan has lodged a compliance plan with ASIC which sets out the key measures which Magellan will apply to comply with the Constitution, the Corporations Act and the ASX Listing Rules.

Magellan has the power to delegate certain aspects of its duties.

4.4 Valuation, location and custody of assets

The Trust's NAV will be calculated daily using a framework for the valuation of financial instruments that is consistent with current industry practice and regulatory requirements.

The Trust's NAV is an estimate of the value of the Trust at the close of trading in each market in which the Trust invests. The estimated NAV per Unit may fluctuate each day as the market value of the Trust's assets rises or falls. Magellan's NAV Permitted Discretions Policy provides further information about how the NAV per Unit is calculated. Investors can request a copy of the policy free of charge by contacting Magellan.

The Northern Trust Company (acting through its Australian branch) ("Northern Trust") has been appointed by Magellan to hold the assets of the Trust under a custody agreement. As Custodian, Northern Trust will safe-keep the assets of the Trust, collect the income of the Trust's assets and act on Magellan's directions to settle the Trust's trades. Northern Trust does not make investment decisions in respect of the Trust's assets that it holds.

4.5 Units in the Trust

Following completion of the Offer, the Trust's units will comprise fully paid ordinary units ("Units"). Each Unit confers on its unitholder an undivided absolute, vested and indefeasible beneficial interest in the Trust as a whole, subject to the Trust's liabilities, not in parts of or single assets.

Applicants will be issued Units under the Offer.

Magellan will determine the number of Loyalty Units and IPO Foundation Units to be issued to Applicants by the Loyalty Unit Issue Date and the IPO Foundation Unit Issue Date, and will issue the Loyalty Units and IPO Foundation Units. The Magellan Group will bear the economic cost associated with the Loyalty Units and IPO Foundation Units in accordance with the terms of the MFG Commitment Deed as set out in Section 12.3.

4.6 Distribution policy

The Trust will generally make distributions to investors semi-annually (for the semi-annual periods ending 30 June and 31 December of each year) but it may do so more or less frequently at the discretion of Magellan.

Magellan intends to target a cash distribution yield of 3% per annum based on the average of the month-end NAV per Unit over a two year rolling period. Distributions will be paid semi-annually, with the Target Cash Distribution for each period determined using the average of the month-end NAV per Unit over the two year period ending on the last Business Day of the prior distribution period. By way of example, the Target Cash Distribution for the semi-annual period ending 30 June 2023 will be calculated as 1.5% multiplied by the average of the month-end NAV per Unit over the period commencing 2 January 2021 and ending 31 December 2022. In respect of the Target Cash Distribution for the semi-annual period ending 31 December 2021, as the Trust will not have been in existence for two years, the average of the month-end NAV per Unit will be calculated over the period commencing 31 October 2019 and ending 30 June 2021.

Magellan intends to pay Target Cash Distributions in the first two years as follows:

- \$0.0225 per Unit for the period from the Allotment Date to 31 December 2019;
- \$0.0225 per Unit for the six months ending 30 June 2020;
- \$0.0225 per Unit for the six months ending 31 December 2020; and
- \$0.0225 per Unit for the six months ending 30 June 2021.

From 30 June 2021, Magellan intends to announce a Target Cash Distribution per Unit on ASX at the beginning of each semi-annual distribution period. Magellan expects that the distribution policy will provide Unitholders with greater certainty on the amount of upcoming distributions.

The Trust may distribute a payment out of the capital invested in addition to a distribution of net income or net capital gains where the Trust has not generated any net income during the income year.

Under the AMIT rules, investors will be assessed for tax on the income of the Trust attributed to them. Where the income of the Trust exceeds the Target Cash Distribution, the Constitution permits Magellan to reinvest part or all of your distribution and/or accumulate part or all of the Trust's income in the Trust, in which case, under the AMIT rules, the income of the Trust that is attributed to you (and which must be included in your income tax return) will be more than the cash distribution paid. For more details, see the Tax overview in Section 11.

Magellan may, in a particular year:

- Require distributions of the income of the Trust in excess of Target Cash Distributions to be reinvested as additional Units in the Trust in accordance with the DRP Rules. Magellan will provide notification to Unitholders by way of ASX announcement where Magellan has elected to require part or all of the distribution to be reinvestment as additional Units in the Trust. Under the DRP Rules, no discount to the NAV per Unit is applicable to Units issued in respect of the distribution in excess of the Target Cash Distribution. The Constitution provides that all Unitholders are bound by the DRP Rules; or
- Retain or accumulate in the Trust the amount of income of the Trust that exceeds the Target Cash Distributions. The tax cost base of Units will increase to the extent that the income of the Trust attributed to investors exceeds the cash distribution paid.

The distribution Unitholders may receive will be based on the number of Units they hold at the nominated record date. The distribution is not calculated on a pro-rata basis according to the time that Unitholders have held their Units.

Distributions paid in cash will be paid directly into Unitholders' Australian dollar or New Zealand dollar bank accounts. Unitholders can provide their bank account details via the Application Form attached to this PDS or should contact their stockbroker or financial adviser to ask how they can provide bank account details.

Magellan retains the discretion to amend the distribution policy of the Trust.

Magellan has established a DRP in respect of distributions made by the Trust. In respect of each Target Cash Distribution, Magellan may elect to offer or not offer the DRP. Under the DRP, Unitholders may elect to have all or part of their Target Cash Distribution reinvested as additional Units in the Trust. The DRP Rules provide detail on the methodology for determining the price at which Units are issued to Unitholders and can be found at www.magellangroup.com.au. Magellan intends to offer Unitholders who elect to participate in the DRP in respect of the Target Cash Distribution an issue price which is currently set at a 5% discount to the NAV per Unit as provided in the DRP Rules. The application, and the extent of, a DRP discount, in respect of any Target Cash Distribution will be at the discretion of Magellan. As an additional benefit to Unitholders and to ensure that Unitholders who elect not to participate suffer no dilution as a result of the discount, the Magellan Group will pay the Trust an amount equal to the cost of this discount in accordance with the terms of the MFG Commitment Deed. As a result of the DRP issue price being set with reference to the NAV per Unit, the DRP issue price could be at a premium to the trading price of Units on ASX at the time of issue.

Under the DRP Rules, no discount is applicable to Units issued in respect of the distribution in excess of the Target Cash Distribution.

The DRP rules in respect of the Trust can be found at www.magellangroup.com.au. Elections to participate in the DRP in respect of the Target Cash Distribution can be made via the Application Form attached to this PDS or must be made by the election date announced by Magellan in respect of each relevant Target Cash Distribution.

The Constitution provides that all Unitholders are bound by the DRP Rules.

4.7 Liquidity

Whilst the Trust is listed on ASX, Units are not able to be redeemed. However, Magellan may undertake a buyback of Units which satisfies the requirements of the Corporations Act and the ASX Listing Rules.

Once the Trust is admitted to the official list of ASX and Units are quoted on ASX, Unitholders will be able to sell their Units on ASX, subject to there being sufficient buyers of Units at a price that is satisfactory to the selling Unitholder, ASX being open for trading and the Units not being suspended from trading. Units may be sold on ASX by Unitholders instructing their stockbroker.

As at the date of this PDS, Magellan does not offer a liquidity facility to Unitholders, but Unitholders may sell their Units on ASX after Units are quoted on ASX (subject to there being sufficient liquidity).

4.8 Further issues of Units

Magellan is permitted, subject to the Constitution, the Corporations Act, the ASX Listing Rules and applicable laws, to issue further Units after the Trust is admitted to the official list of ASX.

Magellan will determine the number of Loyalty Units and IPO Foundation Units to be issued to Applicants by the Loyalty Unit Issue Date and IPO Foundation Unit Issue Date, and will issue the Loyalty Units and IPO Foundation Units. The Magellan Group will bear the economic cost associated with the Loyalty Units and IPO Foundation Units in accordance with the terms of the MFG Commitment Deed as set out in Section 12.3.

Other examples of issuance of further Units may include the issue of Units to satisfy a DRP, Unit purchase plan, rights issue, placement of Units or consideration for a takeover.

4.9 Capital management policy

Subject to any restrictions imposed under the Corporations Act, the ASX Listing Rules and the Constitution, once the Trust is admitted to the official list of ASX and Units are quoted on ASX, Magellan may undertake an on market buyback of Units where it determines that this is in the interests of Unitholders in accordance with the Corporations Act, the ASX Listing Rules (as modified or waived by ASX) and the Constitution. Any Units acquired by Magellan under a buyback will be immediately cancelled, as required by the Corporations Act.

Magellan will need to obtain Unitholder approval for the buyback and comply with any Corporations Act, ASX Listing Rules and Constitution restrictions if it intends to buy back more than 10% of the smallest number of Units on issue over the 12 months prior to the buyback. To fund the buyback of Units, Magellan may look to liquidate some of the Trust's investments and/or may borrow up to the limit stated in Section 2.6.

4.10 Reports to Unitholders

The Trust is a disclosing entity, and is required to meet the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. Accordingly, the Trust will:

- (a) Prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' statement and report and an audit or review report;
- (b) Within 14 days after the end of each month, notify ASX of the NAV backing of its Units as at the end of that month; and
- (c) Immediately notify ASX of any information concerning the Trust of which it is, or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Units, subject to certain limited exceptions related mainly to confidential information.

Copies of documents set out above that are lodged by the Trust with ASIC or ASX may be obtained from ASIC or ASX (respectively), or from Magellan.

Magellan intends to publish an estimated NAV per Unit and iNAV daily on Magellan's website at www.magellangroup.com.au and a NAV per Unit on ASX weekly. The iNAV will be updated in respect of the Trust's portfolio stocks that have live market prices during the ASX Trading Day and for foreign exchange movements to the extent that the impact is not offset by Magellan's management of the Trust's foreign currency exposure. No assurance can be given that the iNAV will be published continuously or that it will be up to date or free from error. To the extent permitted by law, neither Magellan nor its appointed agent shall be liable to any person who relies on the iNAV.

Magellan will also produce monthly Trust updates, which will be lodged with ASX, and quarterly and annual investment reports, which will be lodged with ASX. All reports will be available at www.magellangroup.com.au.

5. Details of the Offer

This is a summary only. This PDS should be read in full before making any decision to apply for Units.

5.1 The Offer

Units

Magellan is offering for subscription Units in the Trust. Units will be issued at an Offer Price of \$1.50 per Unit. The Offer will aim to raise a minimum of \$250,000,000 for the Trust.

The Offer

The Offer is made up of the Priority Offer, the Wholesale Offer and the General Public Offer.

The Offer will only be made to investors that have a registered address in either Australia or New Zealand.

Early lodgement of your Application is recommended, as Magellan may close the Offer at any time after the expiry of the Exposure Period without prior notice. Magellan may extend the Offer in accordance with the Corporations Act. Magellan reserves the right to terminate the Offer at any time or scale back applications on any part of the Offer at its discretion.

5.2 Priority Offer

The Priority Offer is open to any person who has a registered address in Australia or New Zealand and who, as at 5.00pm (Sydney time) on 12 August 2019 ("Priority Determination Date"), was a direct or indirect holder or investor in any one of the following:

- Magellan Financial Group Limited (ASX: MFG);
- Magellan Global Trust (ASX: MGG); and
- Magellan High Conviction Fund (ARSN 164 285 947),

(each an "Eligible Vehicle").

A direct holder is a registered shareholder or registered unitholder of an Eligible Vehicle ("Direct Magellan Holder"). Any person invested in an Eligible Vehicle indirectly through an Intermediary ("Indirect Magellan Holder") on the Priority Determination Date may participate in the Priority Offer via their Intermediary, or directly through the Unit Registry under certain circumstances. Please refer to "Indirect Magellan Holders" below for more information on how an Indirect Magellan Holder may participate in the Priority Offer.

Priority Applicants are invited to subscribe under the Priority Offer for up to 33,334 Units, equivalent to approximately \$50,000. Priority Applicants with more than one holding across the Eligible Vehicles may participate in the Priority Offer for up to 33,334 Units in respect of each holding.

Priority Applicants are able to subscribe for a lower number of Units than the number for which they have been invited to subscribe. However, all Applicants must subscribe for a minimum of 1,500 Units (\$2,250) to participate in the Offer.

Priority Applicants who wish to subscribe for Units in excess of the number of Units for which they have been invited to subscribe under the Priority Offer will need to apply for Units under either the Wholesale Offer or General Public Offer. An application can only be made under the Wholesale Offer where an applicant is a Wholesale Client or client of an AFSL holder and where that applicant or the AFSL holder (applying on behalf of its clients) has received an invitation from Magellan to participate in the Wholesale Offer.

Priority Applicants are not eligible to receive IPO Foundation Units on the Units allotted to them under the Priority Offer.

The actual number of Units that a Priority Applicant will receive in the Trust will be determined by Magellan at its discretion.

Loyalty Units

Priority Applicants may be eligible to receive a number of additional Units, being Loyalty Units, equivalent to 7.5% of the number of Units allotted to them under the Priority Offer (rounded down to the nearest whole Unit).

In submitting a Priority Offer Application Form, Priority Applicants are also applying for any Loyalty Units they may be allotted on the Loyalty Unit Issue Date under the terms of the Priority Offer as set out in this Section. No further consideration is payable by Priority Applicants for these Loyalty Units. The economic cost associated with the issue of Loyalty Units will not be borne by the Trust or its Unitholders. The Magellan Group will bear the economic cost associated with the Loyalty Units as set out in Section 12.3. Priority Applicants are not able to opt-out from subscribing for Loyalty Units under the Priority Offer.

Priority Applicants need to be a unitholder (either directly as a Unitholder or indirectly via the Intermediary through which they were allotted Units) in the Trust on the Loyalty Unit Determination Date in order to receive Loyalty Units.

Priority Applicants who, on the Loyalty Unit Determination Date, hold at least the same number of Units allotted to them under the Priority Offer will receive 100% of their Loyalty Units.

Priority Applicants who, on the Loyalty Unit Determination Date, hold a lower number of Units than allotted to them under the Priority Offer will receive a number of Loyalty Units which is proportionally lower (rounded down to the nearest whole Unit) than the amount they may have received had they held at least the same number of Units allotted to them under the Priority Offer.

Priority Applicants who, on the Loyalty Unit Determination Date, do not hold any Units will not receive Loyalty Units.

Trading in Units in the Trust on ASX will ordinarily settle two Business Days after trade date (in the same way as other ASX listed securities). Therefore, Priority Applicants who have been allotted Units under the Priority Offer should be aware that any Units purchased on or after 30 December 2019 or sold before 30 December 2019 will not be recognised on the Unit register on the Loyalty Unit Determination Date.

The Loyalty Units will be issued shortly after the Loyalty Unit Determination Date on a date determined by Magellan (expected to be 15 January 2020). Until the Loyalty Units are issued, Priority Applicants will have a contingent interest in the Trust being the issue of new Units (the Loyalty Units) on the Loyalty Unit Issue Date. As described above, the issue of Loyalty Units is contingent on the number of Units Priority Applicants hold on the Loyalty Unit Determination Date.

If you are allotted Units under the Priority Offer on a HIN or SRN, your holdings on the Loyalty Unit Determination Date need to be held on the same HIN or SRN otherwise you will not receive Loyalty Units as the Unit Registry will not be able to confirm that you were allotted Units under the Priority Offer.

If you are allotted Units under the Priority Offer through an Intermediary, your beneficial Unit holdings on the Loyalty Unit Determination Date need to be held through the same Intermediary. If you do not hold your Units through the same Intermediary who beneficially held the allotted Units under the Offer, you will not receive your Loyalty Units. Magellan is relying on the Intermediary to provide accurate representations on the Loyalty Unit Determination Date.

Magellan will apply to ASX for official quotation of all Loyalty Units upon Loyalty Units being allotted to Priority Applicants.

Indirect Magellan Holders

The Intermediary through which an Indirect Magellan Holder has invested in an Eligible Vehicle is the registered legal owner of that interest in the Eligible Vehicle and, as a result, will be the applicant on behalf of the Indirect Magellan Holders (the underlying beneficial holders) for the purposes of the Priority Offer. It is at the discretion of the Intermediary whether to extend the Priority Offer to its beneficiaries. Intermediaries who choose to participate should be in contact with each Indirect Magellan Holder to inform those Indirect Magellan Holders how they can participate in the Priority Offer. If you are an Indirect Magellan Holder and you have not been contacted by your Intermediary, you should contact your financial adviser or your Intermediary in the first instance to determine the status of your ability to participate in the Priority Offer via your Intermediary. If you are not able to determine the status of your participation in the Priority Offer, you should contact the Unit Registry during business hours on 1800 222 722 within Australia or +61 2 9290 9699 outside Australia as you may be able to apply directly under the Priority Offer. You may be asked to provide evidence to support your claim that you are an Indirect Magellan Holder.

5.3 Wholesale Offer

The Wholesale Offer is open to Wholesale Clients and AFSL holders (applying on behalf of their clients) who have received an invitation from Magellan to participate in the Wholesale Offer. Wholesale Applicants must also have a registered address in Australia or New Zealand to be eligible to apply.

Clients of an AFSL holder offered an allocation by that AFSL holder (where that AFSL holder has been invited by Magellan to participate in the Wholesale Offer) will be treated as Applicants under Wholesale Offer in respect of that allocation.

Wholesale clients who have been invited by Magellan to participate in the Wholesale Offer will need to complete a Wholesale Offer Application Form and return it to the Unit Registry by the Closing Date. Clients of AFSL holders who have received an invitation from Magellan to participate in the Wholesale Offer need to complete a Wholesale Offer Application Form and return it to their AFSL holder by the Closing Date. All Application Monies under the Wholesale Offer must be received by the Unit Registry by 5:00pm (Sydney time) on the Closing Date (expected to be 27 September 2019).

Wholesale Applicants will be taken to have applied for a number of additional Units, being IPO Foundation Units, equivalent to 2.5% of the number of Units allotted to them under the Wholesale Offer (rounded down to the nearest whole Unit). The economic cost associated with the issue of IPO Foundation Units will not be borne by the Trust or its Unitholders. The Magellan Group will bear the economic cost associated with the IPO Foundation Units in accordance with the terms of the MFG Commitment Deed as set out in Section 12.3. Refer to Section 5.5 for more information about IPO Foundation Units.

Wholesale Applicants are not eligible to receive Loyalty Units on the Units allotted to them under the Wholesale Offer.

5.4 General Public Offer

The General Public Offer is open to all Applicants with a registered address in Australia or New Zealand.

General Public Applicants will be taken to have applied for a number of additional Units, being IPO Foundation Units, equivalent to 2.5% of the number of Units allotted to them under the General Public Offer (rounded down to the nearest whole Unit). The economic cost associated with IPO Foundation Units will not be borne by the Trust or its Unitholders. The Magellan Group will bear the economic cost associated with the IPO Foundation Units in accordance with the terms of the MFG Commitment Deed as set out in Section 12.3. Refer to Section 5.5 for more information about IPO Foundation Units.

General Public Applicants are not eligible to receive Loyalty Units on the Units allotted to them under the General Public Offer.

5.5 IPO Foundation Units

Wholesale Applicants and General Public Applicants may be eligible to receive a number of additional Units, being IPO Foundation Units, equivalent to 2.5% of the number of Units allotted to them under the Wholesale Offer or General Public Offers (as applicable) (rounded down to the nearest whole Unit).

In submitting an Application Form under the Wholesale Offer or General Public Offer, Wholesale Applicants or General Public Applicants (as applicable) are also applying for any IPO Foundation Units they may be allotted on the IPO Foundation Unit Issue Date under the terms of the Wholesale Offer or General Public Offer (as applicable) as set out in this Section. No further consideration is payable by Wholesale Applicants or General Public Applicants for these IPO Foundation Units. The economic cost associated with IPO Foundation Units will not be borne by the Trust or its Unitholders. The Magellan Group will bear the economic cost associated with the IPO Foundation Units as set out in Section 12.3. Wholesale Applicants and General Public Applicants are not able to opt-out from subscribing for IPO Foundation Units under the Wholesale Offer or General Public Offer (as applicable).

Wholesale Applicants and General Public Applicants need to be a unitholder (either directly as a Unitholder or indirectly via the Intermediary through which they were allotted Units) in the Trust on the IPO Foundation Unit Determination Date in order to receive IPO Foundation Units.

Wholesale Applicants and General Public Applicants who, on the IPO Foundation Unit Determination Date, hold at least the same number of Units allotted to them under the Wholesale Offer or General Public Offer (as applicable) will receive 100% of their IPO Foundation Units.

Wholesale Applicants and General Public Applicants who, on the IPO Foundation Unit Determination Date, hold a lower number of Units than allotted to them under the Wholesale Offer or General Public Offer will receive a number of IPO Foundation Units which is proportionally lower (rounded down to the nearest whole Unit) than the amount they may have received had they held at least the same number of Units allotted to them under the Wholesale Offer or General Public Offer (as applicable).

Wholesale Applicants and General Public Applicants who, on the IPO Foundation Unit Determination Date, do not hold any Units will not receive IPO Foundation Units.

Trading in Units in the Trust on ASX will ordinarily settle two Business Days after trade date (in the same way as other ASX listed securities). Therefore, Wholesale Applicants and General Public Applicants who have been allotted Units under the Wholesale Offer or General Public Offer (as applicable) should be aware that any Units purchased on or after 30 December 2019 or sold before 30 December 2019 will not be recognised on the Unit register on the IPO Foundation Unit Determination Date.

The IPO Foundation Units will be issued shortly after the IPO Foundation Unit Determination Date on a date determined by Magellan (expected to be 15 January 2020). Until the IPO Foundation Units are issued, Wholesale Applicants and General Public Applicants will have a contingent interest in the Trust being the issue of new Units (the IPO Foundation Units) on the IPO Foundation Unit Issue Date. As described above, the issue of IPO Foundation Units is contingent on the number of Units Wholesale Applicants or General Public Applicants hold on the IPO Foundation Unit Determination Date.

If you are allotted Units under the Wholesale Offer and General Public Offer on a HIN or SRN, your holdings on the IPO Foundation Unit Determination Date need to be held on the same HIN or SRN otherwise you will not receive IPO Foundation Units as the Unit Registry will not be able to confirm that you were allotted Units under the Wholesale Offer or General Public Offer.

If you are allotted Units under the Wholesale Offer or General Public Offer through an Intermediary, your beneficial Unit holdings on the IPO Foundation Unit Determination Date need to be held through the same Intermediary. If you do not hold your Units through the same Intermediary who beneficially held the allotted Units under the Offer, you will not receive your IPO Foundation Units. Magellan is relying on the Intermediary to provide accurate representations on the IPO Foundation Unit Determination Date.

Magellan will apply to ASX for official quotation of all IPO Foundation Units upon IPO Foundation Units being allotted to Wholesale Applicants and General Public Applicants.

If you are allotted Units under the Priority Offer and also under either the Wholesale Offer or General Public Offer, you may receive both Loyalty Units and IPO Foundation Units. Magellan, in determining the number of Loyalty Units and IPO Foundation Units you will receive, will apply your Unitholding on the Loyalty Unit Determination Date and IPO Foundation Unit Determination Date to determine the number of Loyalty Units you will receive first. Any residual number of Units will then be applied to determine the number of IPO Foundation Units you will receive.

5.6 Application Forms

Applying online or paying by BPAY

You may apply for Units online and pay your Application Monies by BPAY at www.magellanhighconvictiontrust.com.au.

Applicants wishing to pay by BPAY should complete the online Application Form accompanying the electronic version of this PDS and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number ("CRN")).

You do not need to complete and return a paper Application Form if you complete the online Application Form and pay by BPAY. If you choose to pay via BPAY, you will be making an Application under the Application Form and be taken to make the representations and warranties set out in Section 5.7. You should be aware that you will only be able to make a payment via BPAY if you are the holder of an account with an Australian financial institution which supports BPAY transactions. When completing your BPAY payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid.

It is your responsibility to ensure that payments are received by 5.00pm (Sydney time) on the Closing Date for the Offer. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY, and policies with respect to processing BPAY transactions may vary between banks, credit unions or building societies.

Magellan accepts no responsibility for any failure to receive Application Monies or payments by BPAY before the Closing Date for the Offer arising as a result of, among other things, processing of payments by financial institutions.

Applying by post or in person

If you are applying by post or in person, Applications under the Offer must be made and will only be accepted on the applicable paper Application Form that accompanies this PDS. If you return a completed Application Form, you are taken to make the representations and warranties set out in Section 5.7.

The Application Form marked "General Public Offer" must be completed by Applicants who are not participating in the Wholesale Offer or the Priority Offer. General Public Offer Application Forms will be accepted at any time after the Opening Date and prior to 5:00pm (Sydney Time) on the Closing Date (expected to be 27 September 2019).

Priority Applicants who are Direct Magellan Holders should complete a Priority Offer Application Form that accompanies this PDS as relevant. Priority Offer Application Forms will be accepted at any time after the Opening Date and prior to 5:00pm (Sydney Time) on the Closing Date (expected to be 27 September 2019).

If you are a Priority Applicant and have not received a Priority Offer Application Form you should contact the Unit Registry during business hours on 1800 222 722 within Australia or +61 2 9290 9699 outside Australia. You may be asked to provide evidence to support your claim that you are a Priority Applicant.

If you are an Indirect Magellan Holder and have not received a notification to apply under the Priority Offer, this may be because your Intermediary will be contacting you directly. If you have not been contacted, you should contact your financial adviser or your Intermediary in the first instance to determine the status of your participation in the Priority Offer. If you are not able to determine the status of your participation in the Priority Offer via your financial adviser or Intermediary, you should contact the Unit Registry during business hours on 1800 222 722 within Australia or +61 2 9290 9699 outside Australia as you may be able to apply directly under the Priority Offer. You may be asked to provide evidence to support your claim that you are an Indirect Magellan Holder.

Cheque(s) or bank draft(s) must be drawn on an Australian branch of a financial institution and made payable to "Magellan High Conviction Trust Offer" and crossed "Not Negotiable". Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. Accordingly, Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s).

If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the number of Units for which you have applied in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

Completed Application Forms and accompanying cheques may be lodged:

By post

Magellan High Conviction Trust
c/- Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

In person

Magellan High Conviction Trust
c/- Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

If you choose to pay via BPAY, you should return the Application Form. A BPAY payment that is received without a completed Application Form will constitute an Application under the Application Form but may be rejected if the Application Form is not returned to the Unit Registry. Any Applicant using BPAY will be deemed to make the representations and warranties set out in Section 5.7.

5.7 Representations and warranties made by Applicants

By returning a completed Application Form or paying any Application Monies for Units via BPAY, you will be deemed to have made the following representations and warranties to Magellan – namely, that you:

- have received a copy of and read this PDS in full;
- have received an Application Form in accordance with this PDS;
- have completed an Application Form in accordance with the instructions on the form and in this PDS;
- declare that the Application Form and all details and statements made by you are complete and accurate;
- acknowledge that the information contained in this PDS (or any supplementary or replacement PDS) is not investment advice or a recommendation that Units are suitable for you, given your investment objectives, financial situation or particular needs;
- agree and consent to Magellan collecting, holding, using and disclosing your personal information in accordance with this PDS;
- where you have been provided information about another individual, warrant that you have obtained that individual's consent to the transfer of their information to Magellan;
- acknowledge that once Magellan accepts your Application, you may not withdraw it;
- apply for the number of Units set out in the Application Form, or for which you have submitted payment of any Application Monies via BPAY, at the Offer Price per Unit (or a lower number allocated in a manner allowed under this PDS);
- acknowledge that your Application may be rejected by Magellan in its absolute discretion;
- are over 18 years of age;
- agree to be bound by the Constitution of the Trust;
- authorise Magellan and its officers and agents to do anything on your behalf necessary (including the completion and execution of documents) to enable the Units to be allocated to you;
- acknowledge that if you are not issued any Units or you are issued fewer Units than the number that you applied and paid for as a result of a scale back, all or some of your Application Monies (as applicable) will be refunded to you (without interest) in accordance with the Corporations Act as soon as practicable after the Units are issued;
- (for Priority Applicants only) acknowledge that your Application Monies for your Priority Offer invitation are in respect of any Units for which you are applying plus any Loyalty Units allotted to you on the Loyalty Unit Issue Date;
- (for Wholesale Applicants and General Public Applicants only) acknowledge that your Application Monies for your Wholesale Offer and General Public Offer are in respect of any Units for which you are applying plus any IPO Foundation Units allotted to you on the IPO Foundation Unit Issue Date;

- acknowledge that in order to receive any Loyalty Units and any IPO Foundation Units (as applicable), you must be a Unitholder on 31 December 2019 and must hold Units on the same SRN or HIN that Units were allotted to you under the Offer;
- acknowledge that neither Magellan nor any person or entity guarantees any particular rate of return on the Units, nor do they guarantee the repayment of capital;
- represent, warrant and agree that you have not received this PDS outside Australia or New Zealand and are not acting on behalf of a person resident outside Australia or New Zealand; and
- acknowledge that where you have elected to participate in the DRP in respect of the Target Cash Distribution, you have read the DRP rules available at www.magellangroup.com.au.

5.8 Minimum Subscription

There is a Minimum Subscription required of \$250,000,000 for the Offer to proceed. Magellan also reserves the right not to proceed with the Offer at its absolute discretion.

If the Minimum Subscription is not obtained within four months after the date of this PDS or Magellan elects not to proceed with the Offer, Magellan will repay all Application Monies in full without interest as soon as practicable or issue a supplementary or replacement product disclosure statement and allow Applicants one month in which to withdraw their Applications and be repaid their Application Monies in full without interest.

5.9 Applications by the Directors of Magellan

The Directors of Magellan may apply for Units under the Offer.

Hamish Douglass (Co-Founder and Chairman of MFG and Chief Investment Officer of Magellan) intends to take up his entitlement under the Priority Offer and subscribe for \$20 million worth of Units in the Trust under the Wholesale Offer, via a personal investment company.

5.10 Minimum subscription amount per Application under the Offer

The minimum subscription amount per Application under the Offer is \$2,250 which is equal to 1,500 Units (at the Offer Price of \$1.50 per Unit).

5.11 Maximum amount to be raised

There is no upper limit on the amount that can be raised under the Offer. Magellan considers this appropriate: (1) having regard to the Priority Offer and the fact that investors in the Offer will not suffer any dilution of their investment as a result of the Priority Offer; (2) given the highly liquid nature of the companies in which the Trust will invest, Magellan does not consider that the total amount raised under the Offer will impact the Investment Strategy or Magellan's ability to deploy the funds raised; and (3) as the Magellan Group will pay all the costs associated with the Offer in cash, the Pro Forma NAV per Unit will equal the Offer Price. Magellan, however, reserves the right to scale back any part of the Offer at its sole discretion.

5.12 Underwriting

The Offer is not underwritten.

5.13 Allocation policy

The basis of allocation of Units under the Wholesale Offer, General Public Offer and Priority Offer will be determined solely by Magellan.

Magellan reserves the right to scale back Applications under the Offer at its discretion.

Magellan reserves the right in its absolute discretion not to issue any Units to Applicants under the Offer and may reject any Application or allocate a lesser number of Units than those applied for at its absolute discretion.

5.14 Application Monies

The Unit Registry will hold all Application Monies received on trust until the relevant Allotment Date when the Units are issued to successful Applicants. Application Monies may be held for up to 60 days starting on the day on which money was received, before the Units are issued or the Application Monies are returned (this time period is modified by ASIC relief).

Wholesale Applicants who are applying through their AFSL holder must lodge their Application Monies with their AFSL holder, who will act as the Applicant's agent in providing their Application Monies to Magellan.

The Application Monies will be refunded in Australian dollars to the extent that an Application is rejected or scaled back, or the Offer is withdrawn. No interest will be paid on refunded amounts. The Trust will retain any interest earned on the Application Monies held on trust pending the issue of Units to successful Applicants.

5.15 Allotment

Magellan will not allot Units until the Minimum Subscription has been received and ASX has granted permission for quotation of the Units unconditionally or on terms acceptable to Magellan. The Trust is not currently seeking quotation of its Units on any financial market other than ASX. The fact that ASX may admit the Trust to the official list of ASX and grant official quotation of the Units is not to be taken in any way as an indication of the merits of the Trust or the Units offered for issue under the Offer.

ASX takes no responsibility for the contents of this PDS. Normal settlement trading in the Units, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants. It is the responsibility of Applicants to determine their allocation prior to trading in the Units. Applicants who sell Units before they receive confirmation of their allotment will do so at their own risk.

If ASX does not grant permission for the Units to be quoted within three months after the date of issue of any Units (this time period is modified by ASIC relief), the Units will not be issued and any Application Monies will be refunded (without interest) as soon as practicable.

It is expected that the allotment of Units under the Offer will take place on 8 October 2019.

An Application constitutes an offer by the Applicant to subscribe for Units on the terms and subject to the conditions set out in this PDS. A binding contract to issue Units will only be formed at the time Units are allotted to Applicants.

Where the number of Units allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be returned to Applicants (without interest) in Australian Dollars within 60 days of the day that Application Monies were received (this time period is modified by ASIC relief).

5.16 ASX and CHES

No later than seven days from the date of the first issue of Units, Magellan will apply to ASX for admission of the Trust to the official list of the ASX. Magellan will also apply to ASX no later than seven days after the date of issue of any Units for official quotation of these Units on ASX. Magellan will also apply to ASX no later than seven days from the date of the issue of Loyalty Units and IPO Foundation Units for Loyalty Units and IPO Foundation Units to be granted official quotation before the end of the three months after the date of issue. These time periods are modified by ASIC relief. Magellan is not currently seeking a listing of the Units on any stock exchange other than the ASX.

Magellan will also, in accordance with the ASX Listing Rules and the ASX Settlement Rules, maintain an electronic CHES sub register (for Unitholders who are participants in CHES or sponsored by such a participant) and an electronic issuer sponsored sub register (for all other Unitholders).

These two sub registers will together make up the Trust's principal register of Unitholders. Following allocation and issue of the Units to successful Applicants, each Unitholder will be sent an initial statement of holding that sets out the number of Units that have been allocated and the Unitholder's HIN, or in the case of issuer sponsored holders, the Unitholder's SRN.

Unitholders will subsequently receive statements showing any changes to their holding of Units. Certificates will not be issued for Units.

5.17 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Units under the Offer.

5.18 Overseas investors

The Offer is an offer to Australian investors and New Zealand investors only. The Offer does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

5.19 Privacy

When you apply to invest in the Trust, you acknowledge and agree that:

(a) you are required to provide Magellan with certain personal information to:

- (i) facilitate the assessment of an Application;
- (ii) enable Magellan to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
- (iii) carry out appropriate administration; and

(b) Magellan may be required to disclose this information to:

- (i) third parties that carry out functions on behalf of the Trust, including marketing and administration functions, on a confidential basis; and
- (ii) third parties if that disclosure is required by law; and
- (iii) related bodies corporate (as that term is defined in the Corporations Act) of Magellan which carry out functions on behalf of the Trust.

Magellan may also disclose an investor's personal information to market products and services to them; and improve customer service by providing their personal details to other external service providers (including companies conducting market research).

Under the Privacy Act 1988 (Cth), Unitholders may request access to their personal information held by (or on behalf of) Magellan. Unitholders may request access to personal information by telephoning or writing to Magellan.

All personal information collected by Magellan will be collected, used, disclosed and stored by Magellan in accordance with its privacy policy, a copy of which will be made available on request.

5.20 Tax implications of investing in the Trust

The taxation consequences of any investment in Units will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Trust.

A general overview of the Australian taxation implications of investing in the Trust is set out in Section 11 and is based on current tax law and ATO tax rulings. The information in Section 11 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances. Magellan recommends you seek independent tax advice.

5.21 Anti-Money Laundering / Counter Terrorism Financing Act 2006

Magellan may be required under the AML/CTF Act or any other law to obtain identification information from Applicants. Magellan reserves the right to reject any Application from an Applicant who fails to provide identification information upon request.

6. Risk Factors

All investments carry risk. The likely investment return and the risk of losing money is different for each investment strategy as different strategies carry different levels of risk depending on the underlying mix of assets that makes up each fund. Those assets with potentially the highest long-term return (such as equities) may also have the highest risk of losing money in the shorter term.

Risks can be managed but they cannot be completely eliminated. It is important that you understand that:

- the value of your investment will rise and fall;
- investment returns will vary and future returns may differ from past returns;
- returns are not guaranteed and there is a risk that you may lose some money on any investment you make; and
- laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on various factors and may include your age, investment timeframe, where other parts of your wealth are invested and your overall tolerance to risk. You may wish to consult a licensed financial adviser to understand better the risks involved in investing in this Trust.

The significant risks specific to an investment in the Trust include:

- ASX liquidity risk:** The liquidity of trading in the Units on ASX may be limited. This may affect an investor's ability to buy or sell Units. Investors will not be able to purchase or sell Units on the ASX during any period that ASX suspends trading of Units in the Trust.
- Company specific risk:** Investments by the Trust in a company's securities will be subject to many of the risks to which that particular company is itself exposed. These risks may impact the value the securities of that company and the value of the Trust's portfolio. These risks include such factors as changes in management, actions of competitors and regulators, changes in technology and market trends.
- Concentration risk:** As the Trust will hold a concentrated portfolio of 8-12 investments, returns of the Trust may be dependent upon the performance of a small number of individual companies. The concentrated exposure, including aggregation of exposures across companies, may lead to increased volatility in the Trust's Unit price, and also increases the risk of poor performance.
- Conflicts of interest risk:** Magellan and its various service providers may from time to time act as issuer, investment manager, Custodian, Unit Registry, broker, administrator, distributor or dealer to other parties or funds that have similar objectives to those of the Trust. It is, therefore, possible that any of them may have potential conflicts of interest with the Trust. Such conflicts of interest include but are not limited to: management of multiple accounts with varying fee arrangements, trade allocation, proxy voting and staff personal trading. Magellan may invest in, directly or indirectly, or manage or advise other funds which invest in assets which may also be purchased by the Trust. Neither MFG nor any person connected with it is under any obligation to offer investment opportunities to the Trust. Magellan maintains a Conflicts of Interest Policy to provide reasonable assurance that it manages its obligations to the Trust such that all conflicts (if any) are resolved fairly.
- Counterparty risk:** There is a risk that the Trust may incur a loss arising from the failure of another party to a contract (the counterparty) to meet its obligations. Counterparty risk arises primarily from investments in cash, derivatives and currency transactions. Substantial losses can be incurred if a counterparty fails to deliver on its contractual obligations.
- Currency management risk:** The Trust's foreign currency exposure arising from investments in foreign securities may be hedged or unhedged. Where any part of the Trust's currency exposure is hedged, the Trust's investment returns will not benefit where the Australian dollar has declined relative to other currencies. Where any part of the Trust's currency exposure is unhedged, a rise in the Australian dollar relative to other currencies will negatively impact investment values and returns. Currency markets can be extremely volatile and are subject to a range of unpredictable events. There is also a risk that the Trust's currency management activities might not be effective and may lose the Trust money.
- Derivative risk:** The value of a derivative is derived from the value of an underlying asset and can be highly volatile. Changes in the value of derivatives may occur due to a range of factors that include rises or falls in the value of the underlying asset, potential liquidity of the derivative and counterparty credit risk. Forward foreign exchange contracts are utilised to manage the Trust's foreign currency exposure. These contracts will generally be of limited duration and reset regularly, resulting in a cash receipt or cash payment by the Trust. The contracts are not guaranteed by an exchange or clearing corporation and generally do not require payment of margin. To the extent that the Trust has unrealised gains in such instruments or has deposited collateral with its counterparty(ies) the Trust is at risk that its counterparty will become bankrupt or otherwise fail to honour its obligations.
- Distribution policy risk:** Under the distribution policy for the Trust, there may be circumstances where the distribution received by Unitholders in cash may be insufficient to cover a Unitholder's tax payable on the income of the Trust attributable to the Unitholder.
- DRP issue price risk:** Because Units issued under the DRP are issued at the NAV per Unit or a discount to the NAV per Unit, there is a risk that the DRP issue price could be at a premium to the trading price of Units on ASX at the time of issue.
- iNAV risk:** The iNAV published by the Trust is indicative only and might not be up to date or might not accurately reflect the underlying value of the Trust.

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- k) **IPO Foundation Unit vesting risk:** Wholesale Applicants and General Public Applicants eligible to receive IPO Foundation Units are required to be unitholders in the Trust on the IPO Foundation Unit Determination Date. Wholesale Applicants and General Public Applicants who, on the IPO Foundation Unit Determination Date, hold a lower number of Units than allotted to them under the Wholesale Offer or General Public Offer (as applicable) will receive a number of IPO Foundation Units which is proportionally lower (rounded down to the nearest whole Unit) than the amount that they may have received had they held at least the same number of Units allotted to them. Wholesale Applicants and General Public Applicants who, on the IPO Foundation Unit Determination Date, do not hold any Units will not receive IPO Foundation Units. Wholesale Applicants and General Public Applicants who transfer their allotted Units to a different HIN, SRN or Intermediary in the period after allotment of Units under the Offer and prior to the IPO Foundation Unit Determination Date will not receive IPO Foundation Units.
 - l) **Leverage risk:** The Trust may borrow against all or part of the Portfolio to fund a buyback of Units and/or for investment purposes. Borrowings can magnify the gains and losses in the Trust.
 - m) **Liquidity of investments risk:** Whilst the Trust is exposed to listed entities which are generally considered to be liquid investments, under extreme market conditions, there is a risk that such investments cannot be readily converted into cash or at an appropriate price. In such circumstances, the Trust may be unable to liquidate sufficient assets to meet its obligations within required timeframes or it may be required to sell assets at a substantial loss in order to do so.
 - n) **Loyalty Unit vesting risk:** Priority Applicants eligible to receive Loyalty Units are required to be unitholders (either directly as a Unitholder or indirectly through an Intermediary) in the Trust on the Loyalty Unit Determination Date. Priority Applicants who, on the Loyalty Unit Determination Date, hold a lower number of Units than allotted to them under the Priority Offer will receive a number of Loyalty Units which is proportionally lower (rounded down to the nearest whole Unit) than the amount they may have received had they held at least the same number of Units allotted to them under the Priority Offer. Priority Applicants who, on the Loyalty Unit Determination Date, do not hold any Units will not receive any Loyalty Units. Priority Applicants who transfer their allotted Units to a different HIN, SRN or Intermediary during the period from allotment of Units under the Priority Offer and the Loyalty Unit Determination Date will not receive Loyalty Units.
 - o) **Market risk:** There is a risk that the market price of the Trust's assets will fluctuate. This may be as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events, pandemic outbreaks, environmental and technological issues.
 - p) **Operational risk:** Operational risk includes those risks which arise from carrying on a funds management business. The operation of the Trust requires Magellan, the Custodian, the Unit Registry, the administrator and other service providers to implement sophisticated systems and procedures. Some of these systems and procedures are specific to the operation of the Trust. Inadequacies with these systems and procedures or the people operating them could lead to a problem with the Trust's operation and result in a decrease in the value of Units.
 - q) **Performance risk:** There is a risk that the Trust may not achieve the investment objectives of its Investment Strategy.
 - r) **Personnel Risk:** The skill and performance of Magellan as investment manager can have a significant impact (both directly and indirectly) on the investment returns of the Trust. Changes in key personnel and resources of Magellan may also have a material impact on investment returns on the Trust.
 - s) **Price of Units on ASX:** The price at which the Trust's Units trade on ASX may not equal the underlying value of the Portfolio as reflected in its NAV per Unit. The Trust's Units may trade on ASX at a discount or a premium to the Trust's NAV per Unit. As such, there is a risk that Unitholders may not be able to sell their investment in the Trust at the Trust's NAV per Unit.
 - t) **Regulatory risk:** There is a risk that a change in laws and regulations governing a security, sector or financial markets could have an adverse impact on the Trust or on the Trust's investments. A change in laws or regulations can increase the costs of operating a business and/or change the competitive landscape.
 - u) **Target Cash Distribution risk:** The Target Cash Distribution is calculated as a percentage of the average of the month-end NAV per Unit over a two year rolling period and therefore there is a risk that the Target Cash Distribution in cents per Unit may decline in some periods if the Trust's NAV per Unit declines. There is also a risk that, in the future, Magellan changes the target level for Target Cash Distributions.
 - v) **Trust risk:** Trust risk refers to specific risks associated with the Trust, such as termination and changes to fees and expenses. The performance of the Trust or the security of an investor's capital is not guaranteed. There is no guarantee that the Investment Strategy of the Trust will be managed successfully, or will meet its objectives. Failure to do so could negatively impact the performance of the Trust. An investment in the Trust is governed by the terms of the Constitution and this PDS, each as amended from time to time. The Trust is also governed by the ASX Listing Rules, and is exposed to risks of listing on that platform, including such things as the platform or settlements process being delayed or failing. ASX may suspend, or remove the Units from listing on the ASX. Magellan may elect, in accordance with the Constitution and the Corporations Act, to terminate the Trust for any reason.

7. Fees and Costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Trust or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities & Investments Commission ("ASIC")** website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options and which can also be used to calculate the effect of fees and costs on account balances.

This Section of the PDS shows fees and other costs that investors may be charged. These fees and costs may be deducted from an investor's investment, from the returns on their investment or from the Trust's assets as a whole. Investors should read all the information about fees and costs because it is important to understand the impact of these fees and costs on an investor's investment. Investors can also use this information to compare the fees and costs with those of other investment funds.

| TYPE OF FEE OR COST | AMOUNT | HOW AND WHEN PAID |
|--|--|--|
| Fees when an investor moves their money in or out of the Trust | | |
| <i>Establishment fee</i> The fee to open your investment | Nil | Not applicable. |
| <i>Contribution fee</i> The fee on each amount contributed to your investment | Nil | Not applicable. |
| <i>Withdrawal fee</i> The fee on each amount you take out of your investment | Nil | Not applicable. |
| <i>Exit fee</i> The fee to close your investment | Nil | Not applicable. |
| Management costs | | |
| The fees and costs for managing an investment | Management fee of 1.50%* per annum | The management fee is calculated daily based on the value of the Trust on that Business Day. An estimate is accrued daily in the NAV per Unit and the fees are payable monthly in arrears from the assets of the Trust. |
| Estimated performance fee | 0.98%** per annum Performance fees are 10%* of the Excess Return of the Trust above the Absolute Return Performance Hurdle (10% per annum) as at the first Business Day of the Calculation Period pro-rated for the number of days in the Calculation Period over each 6 monthly period ending 30 June and 31 December (each a "Calculation Period"), or the period from the commencement of the Trust to 31 December 2019 in the case of the first Calculation Period. | Estimated daily and accrued in the NAV per Unit. Calculation of the fee is finalised and paid at the end of a Calculation Period (30 June and 31 December of each year) from the assets of the Trust. The first Calculation Period will end on 31 December 2019. |
| Total estimated management costs | 2.48%*** per annum | In accordance with fees and costs for managing an investor's investment and the performance fees as described immediately above. |

* Inclusive of the estimated net effect of GST (i.e. inclusive of 10% GST, less any RITC and other recoveries available to the Trust). As the Trust predominantly invests in international securities, the GST impact on the management costs is currently estimated to be negligible. To the extent the GST impact increases (for example, if the Trust's exposure to Australian securities increases), the actual management costs may exceed the rates stated above. Please see Sections 7.2 and 7.5 below for more information.

** The Trust does not have a performance history. The estimated performance fee represents Magellan's reasonable estimate of the prospective performance fee, and has been calculated using the simple average of the actual annual percentage per annum performance fees of another Magellan fund with a similar investment strategy since inception from 1 July 2013 to 30 June 2019. The estimate is inclusive of GST (i.e. inclusive of 10% GST, less any RITC and other recoveries available to the Trust). As the Trust predominantly invests in international securities, the GST impact on the performance fees for the Trust is currently estimated to be negligible. To the extent the GST impact increases (for example, if the Trust's exposure to Australian securities increases), the actual performance fees may exceed the rate of 10% stated above. Please see Sections 7.2 and 7.5 below for more information. Past performance is not necessarily indicative of future performance and no person guarantees the future performance of the Trust, the amount or timing of any return from it, or that it will achieve its investment objectives.

*** Includes an estimated performance fee of 0.98% earned by Magellan for the relevant year.

7.1 Example of annual fees and costs

This table gives an example of how the fees and costs for this product can affect an investment over a one year period. Investors should use this table to compare this product with other managed investment products.

| Example ¹ Magellan High Conviction Trust | | Balance of \$50,000 with total contributions of \$5,000 during year ² |
|--|--------------------|---|
| Contribution fees | Nil | For every additional \$5,000 you put in, you will be charged \$0. |
| PLUS Management costs | 2.48% ³ | And, for every \$50,000 you have in the Trust you will be charged \$1,240 each year. |
| EQUALS Cost of the Trust | | If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$1,240 ⁴ |

¹ This is an example only and does not take into account any movements in the value of Units that may occur over the course of the year or any abnormal costs.

² This example assumes the \$5,000 contribution occurs at the end of the first year. Management costs are calculated using the \$50,000 balance only.

³ This management cost amount consists of the management fee and an estimated performance fee that in Magellan's opinion, reflects a reasonable performance fee estimate. The estimated performance fee has been calculated using the simple average of the actual annual percentage per annum performance fees of another Magellan fund with a similar investment strategy since inception from 1 July 2013 to 30 June 2019. This rate is inclusive of the estimated net effect of GST (i.e. inclusive of 10% GST, less any RITC and other recoveries available to the Trust). Please see Additional information about fees and costs in Section 7.2 for more details.

⁴ Please note that this example does not capture all the fees and costs that may apply to an individual investor such as transaction costs.

7.2 Additional information about fees and costs

Management fees

Magellan is entitled to charge the Trust a management fee of 1.50% (exclusive of GST) per annum of the NAV (before fees) of the Trust for managing the assets of the Trust and overseeing the operations of the Trust. The management fees help cover all fees, costs, charges, expenses and outgoings that are incurred in connection with the Trust (such as administration and accounting costs, registry fees, audit and tax fees, and investor reporting expenses). Magellan's management fees are calculated each Business Day based on the NAV (before fees) of the Trust on that Business Day and are payable at the end of each month from the assets of the Trust. Estimated management costs are reflected in the NAV per Unit of the Trust.

Performance fees

Depending on how well the Trust performs, Magellan may be entitled to a performance fee, payable by the Trust. Performance fees are calculated with reference to the Absolute Return Performance Hurdle and are subject to a High Water Mark requirement. The details of the calculation methodology and the hurdles are set out below.

Estimated performance fees for the Units are reflected in the NAV per Unit and are payable at the end of each calculation period.

Calculation Methodology

The Trust's Total Return per Unit ("Total Return") is the dollar movement in its NAV per Unit during the Calculation Period (adjusted for any income or capital distributions and before any accrued performance fees during that Calculation Period). Adjustments will be made for any capital re-organisations such as Unit divisions or consolidations. Calculation Periods end on 30 June and 31 December of each year. The first Calculation Period is from the commencement of the Trust to 31 December 2019.

The Trust's Excess Return per Unit ("Excess Return") is its Total Return per Unit less the Absolute Return Performance Hurdle, expressed in dollar terms.

Magellan is entitled to charge a performance fee per Unit of 10% (exclusive of GST) of the Excess Return. The total performance fee is the performance fee per Unit multiplied by the number of Units on issue at the end of the Calculation Period.

Magellan will only be entitled to a performance fee where the NAV per Unit at the end of the Calculation Period exceeds the applicable High Water Mark. The High Water Mark is the NAV per Unit at the end of the most recent Calculation Period for which Magellan was entitled to a performance fee, less any intervening income or capital distribution. For the first Calculation Period after the commencement of the Trust, the High Water Mark is taken to be \$1.50.

Absolute Return Performance Hurdle

The applicable Absolute Return Performance Hurdle for the Trust is 10% per annum, pro-rated for the number of days in the Calculation Period.

Total transactional and operational costs

The Trust does not have historical transactional and operational costs. An estimate of net transactional and operational costs in respect of the 2018/2019 financial year for the Trust is provided in the table below. These costs are estimated prospective costs based on the actual historical transactional and operational costs of another Magellan fund with a similar investment strategy.

| Total transactional and operational costs (% pa of NAV) | Recovery through buy/sell spread (% pa of NAV) | Net transactional and operational costs (% pa of NAV) | For every \$50,000 you have in the Trust you will likely incur approximately: |
|---|--|---|---|
| 0.05% | Nil | 0.05% | \$25 |

Such transactional and operational costs will be incurred by the Trust when the Trust acquires and disposes of securities. The amount of such costs will vary from year to year depending on the volume and value of the trading activity in the Trust. Transactional and operational costs are paid out of the assets of the Trust and are not fees paid to Magellan.

7.3 Stockbroker fees for investors

Investors will incur customary brokerage fees and commissions when buying and selling the Units on the ASX. Investors should consult their stockbroker or financial adviser for more information in relation to their fees and charges.

7.4 Financial adviser fees

An investor's licensed financial adviser may also charge an investor fees for the services they provide. These should be set out in the statement of advice by the adviser. Magellan pays no commissions related to an investor's investment in the Trust to financial advisers.

7.5 Changes in fees and costs

Fees may increase or decrease for a number of reasons including changes in the competitive, industry and regulatory environments or simply from changes in costs. Fees are capped by the Trust's Constitution. Management fees and performance fees disclosed in Section 7.2 above are the maximum permitted by the Trust's Constitution. Any increase beyond a fee cap would require Unitholder approval. Magellan may change the fees without an investor's consent provided that the fees remain below the relevant fee cap. Magellan will provide at least 30 days' notice if it intends without the consent of investors to increase or decrease fees below the level of any fee cap.

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8. Corporate Governance

8.1 Corporate governance policies

Responsibility for the Trust's proper corporate governance rests with Magellan as the responsible entity. The overarching principle is to always act in good faith and in the best interests of the Trust's Unitholders in accordance with its fiduciary duty. Magellan's duties and obligations in relation to the Trust principally arise from: the Constitution of the Trust; the compliance plan for the Trust; ASX Corporate Governance Council Principles and Recommendations, 3rd Edition March 2014 ("ASX Corporate Governance Principles"), regulatory requirements of ASIC and legislative and regulatory requirements of jurisdictions in which the responsible entity operates.

The Board of Directors of MFG, in consultation with management and the responsible entity, determine appropriate corporate governance practices, taking into account the matters outlined in the preceding paragraph. Where, after due deliberation, Magellan's corporate governance practices differ from the ASX Corporate Governance Principles, the Corporate Governance Statement will set out the reasons for the difference.

MFG has established a governance framework for the Magellan Group, which includes Magellan as the responsible entity of the Trust, and has its own Corporate Governance Statement, details of which can be found in the Shareholder Centre section on the Magellan Group's website at www.magellangroup.com.au under "Corporate Governance". Except for limited exceptions as set out in its Corporate Governance Statement, MFG follows all recommendations.

Magellan has, as far as practicable, adopted the governance framework of MFG being cognisant of its fiduciary duty. The composition of the Boards of each of MFG and Magellan are near identical.

As part of the governance process, the MFG Board and management periodically review MFG's policies and practices to ensure that they meet the requirements of stakeholders and that there is a process of continual improvement in governance standards.

Wherever possible, the corporate governance practices of the Trust follow those of MFG.

The key elements of the Trust's corporate governance framework are set out below. Magellan has also adopted a number of corporate governance policies to provide reasonable assurance that the Trust is governed efficiently and effectively, and in accordance with its fiduciary duty.

The corporate governance framework and policies are summarised below:

Code of Ethics – The Code of Ethics ("Code") applies to all Directors and employees of the Magellan Group. The purpose of the Code is to:

- communicate the standards of behaviour that the Magellan Group expects of its employees;
- encourage the observance of obligations and standards of conduct to protect and promote the interests of the Magellan Group, its clients, funds under management, shareholders, Unitholders and other stakeholders;
- guide employees through the practices thought necessary to maintain confidence in the Magellan Group's integrity; and
- set out the responsibilities and accountabilities of employees to report and investigate reports of unethical practices.

All employees of the Magellan Group are required to make an annual declaration confirming their compliance with the Code of Ethics.

Continuous Disclosure Policy – The Continuous Disclosure Policy assists with clear and effective communication with Unitholders by ensuring:

- the Trust, at a minimum, complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules;
- the Trust provides Unitholders, together with the market, timely, direct and equal access to information issued by it; and
- information which is not generally available and which may have a material effect on the price or value of the Trust's Units be identified and appropriately considered for disclosure to the market.

Unitholder Communications Policy – The Unitholder Communications Policy describes the procedures in place to provide Unitholders with appropriate information about the Trust and its governance. The policy outlines:

- methods of communication and types of information provided by Magellan to Unitholders about the Trust;
- timing of such reports and communication; and
- other general information relevant to a Unitholder in the Trust.

Risk Management Framework – The Risk Management Framework ("RMF") for the Magellan Group is based on the Australian/New Zealand Standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines and Principle 7 of the ASX Corporate Governance Principles. Consideration has also been given to ASIC RG 259: Risk management systems of responsible entities issued in March 2017.

The compliance program which sets out the policies and procedures that the Magellan Group has adopted to satisfy its regulatory obligations is an integral part of the RMF. The RMF supports a structured and focussed approach to identifying, managing and reviewing risk to complement the strategies adopted to achieve the corporate objectives of the Magellan Group.

Trading Policy – The Trading Policy sets out the circumstances in which the MFG and Magellan Directors and employees may trade in Units in the Trust. The Trading Policy prohibits Directors and employees from dealing when they are in possession of price-sensitive information that is not generally available to the market and also places restrictions and notification requirements, including the imposition of blackout periods and the need to obtain pre-trade approval. The Trading Policy aligns to the ASX Listing Rules and relevant guidelines.

8.2 ASX corporate governance principles

The ASX Corporate Governance Council has developed and released the ASX Corporate Governance Principles for Australian listed entities in order to promote investor confidence and to assist entities to meet stakeholder expectations. The ASX Corporate Governance Principles are not prescriptions, but guidelines. However, under the Listing Rules, the Trust is required to provide a statement in conjunction with its annual report disclosing the extent to which it has followed the ASX Corporate Governance Principles in the reporting period. Where the Trust does not follow a recommendation, it must identify the recommendation that is not being followed and give reasons for not following it. Except as set out below, the responsible entity does not anticipate that the Trust will depart from the ASX Corporate Governance Principles; however, it may do so in the future if it considers that such departure would be reasonable.

The Trust has a Corporate Governance Statement which reports against the ASX Corporate Governance Principles, a summary of which is set out below.

Principle 1 – Lay solid foundations for management and oversight

As the Trust is externally managed by Magellan, Principle 1 is not applicable.

Principle 2 – Structure the board to add value

As the Trust is externally managed by Magellan, the following recommendations are not applicable:

- 2.1 Nominations Committee;
- 2.2 Board skills matrix;
- 2.4 Independent directors;
- 2.5 Board chairman independence; and
- 2.6 New director induction.

In relation to recommendations 2.3 and 2.4, five of the seven Directors of Magellan are independent Non-Executive Directors.

Principle 3 – Act ethically and responsibly

Magellan has in place policies and procedures to align with this principle in respect of the Trust.

Principle 4: Safeguard integrity in corporate reporting

Magellan has in place policies and procedures to align with this principle in respect of the Trust.

In relation to recommendation 4.3 (External Auditor attends AGM), the Trust does not intend to hold an annual general meeting and accordingly this recommendation is not applicable. If the Trust were to hold an annual general meeting this recommendation would be followed.

Principle 5: Make timely and balanced disclosure

The Trust has in place a Continuous Disclosure Policy to ensure it meets its disclosure obligations under the Corporations Act and the ASX Listing Rules.

Principle 6: Respect the rights of security holders

The Trust has in place a Unitholder Communication Policy to ensure it meets its disclosure obligations under the Corporations Act and the ASX Listing Rules.

Principle 7: Recognise and manage risk

The Magellan Group has in place an RMF and related policies and procedures to align with this principle in respect of the Trust with the exception of recommendations 7.1 and 7.3. Operational risk management is primarily considered by the Magellan Board and Magellan do not have an internal audit function.

MFG has an Audit and Risk Committee comprised of independent Directors to oversee audits in relation to some aspects of the operational risk management and compliance frameworks. The Magellan Board, chaired by an independent Chairman, otherwise has oversight of the operational risk and compliance frameworks as it considers risk management matters should be a strong focus of the entire Magellan Board. The RMF is reviewed at least annually by the Magellan Board to satisfy itself that it continues to be sound. In addition, the Magellan Board consists of a majority of independent Non-Executive Directors.

The Magellan Board has established a Risk and Compliance Committee ("RCC") to assist it in discharging its corporate governance and oversight responsibilities in relation to the Magellan Group's obligations, which include the requirement for adequate risk management and compliance systems. The RCC consists of the Chief Executive Officer, Responsible Managers, and senior Magellan employees including the Chief Compliance Officer.

The Magellan Board has also established a Management Information Technology Risk Committee ("ITRC") which has oversight and provides direction on the Group's information technology risk management activities. The ITRC consists of the Chief Executive Officer, Chief Compliance Officer and other senior Magellan employees responsible for information technology.

Magellan is the holder of AFSL 304301 and is also registered with a number of offshore regulators and is subject to external audits and exams. These external audits provide reasonable assurance on the design and operating effectiveness of Magellan's compliance and control environment. In addition, periodic monitoring of compliance with key policies and procedures is performed by Magellan's Risk and Compliance team and the results are reported to the Magellan Board. The Magellan Group's culture, size, simple and scalable operations, transparent reporting and flat organisational structure allow the Magellan Group Boards and management full and direct visibility of the key activities undertaken.

The Magellan Group Boards and senior management have the skills and expertise to understand and rigorously review and challenge the information provided and recommendations submitted for approval. Where additional assurance is desired, the relevant Magellan Group Board can commission external independent advice and reviews as necessary.

Principle 8: Remunerate fairly and responsibly

As the Trust is externally managed by Magellan, the following recommendations are not applicable:

- 8.1 Remuneration committee;
- 8.2 Disclosure of remuneration policies and practices; and
- 8.3 Equity based remuneration schemes.

The remuneration payable to Magellan in respect of the Trust can be found in this PDS at Section 7. Further details of actual management costs paid will be published in the Half Yearly Reports and Annual Reports of the Trust and will be available on the Magellan Group website.

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9. Financial Information

9.1 Pro Forma Historical Statements of Financial Position

The pro forma historical statements of financial position of the Trust ("Pro Forma Historical Statements of Financial Position") set out below have been prepared to illustrate the financial position of the Trust following the completion of the Offer and comprise:

- the pro forma historical statement of financial position as at 12 August 2019 based on the minimum subscription of \$250 million; and
- the pro forma historical statement of financial position as at 12 August 2019 based on an illustrative subscription of \$500 million.

The Pro Forma Historical Statements of Financial Position have been reviewed by Ernst & Young in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information as stated in its Independent Limited Assurance Report set out in Section 10. Investors should note the scope and limitations of the Independent Limited Assurance Report.

Basis of Preparation

The Directors of Magellan are responsible for the preparation and presentation of the financial information included in this Section 9.

The Trust is an Australian managed investment scheme that was registered on 16 July 2019 and has no trading history.

The Pro Forma Historical Statements of Financial Position have been derived from the unaudited historical statement of financial position of the Trust as at 12 August 2019 and adjusted for the effects of pro forma adjustments described in Section 9.2 of this PDS.

The Pro Forma Historical Statements of Financial Position have been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards ("AAS") other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect the impact of certain transactions as if they occurred as at 12 August 2019.

Significant accounting policies in respect of the Pro Forma Historical Statements of Financial Position are set out in Section 9.3 below.

The Pro Forma Historical Statements of Financial Position is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information as required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The information in this Section 9 should also be read in conjunction with the risk factors set out in Section 6 and other information contained in this PDS.

These Pro Forma Historical Statements of Financial Position are intended to be illustrative only and may not reflect the actual or prospective financial position of the Trust as at the date of this PDS or at the completion of the Offer.

| Pro Forma Historical Statements of Financial Position A\$ As at 12 August 2019 | Minimum Subscription \$250 million raised | Illustrative subscription \$500 million raised |
|--|--|---|
| Cash | 250,000,000 | 500,000,000 |
| Unitholders' equity | 250,000,000 | 500,000,000 |

Units on issue and NAV per Unit are shown in the table below.

| | Minimum Subscription \$250 million raised | Illustrative subscription \$500 million raised |
|--|--|---|
| Fully paid ordinary units (Units) on issue | 166,666,667 | 333,333,333 |
| Pro Forma NAV per Unit | \$1.50 | \$1.50 |

A reconciliation of the pro forma historical cash balances is shown in the table below.

| A\$ | Minimum Subscription \$250 million raised | Illustrative subscription \$500 million raised |
|---|--|---|
| Pro forma adjustment – proceeds of the Offer | 250,000,000 | 500,000,000 |
| Pro forma adjustment – expenses of the Offer | - | - |
| Pro forma net cash position As at 12 August 2019 | 250,000,000 | 500,000,000 |

The above pro forma historical statements of financial position is for illustrative purposes only and does not reflect the responsible entity's expectations in respect of the capital raised through the Offer. The pro forma adjustments do not include an estimate of the amount the Trust will receive from Magellan Group or the offsetting obligation of the Trust to issue Loyalty Units and IPO Foundation Units. Further details of Loyalty Units and IPO Foundation Units are set out in Section 5 of this PDS.

9.2 Assumptions

The Pro Forma Historical Statements of Financial Position have been derived from the unaudited historical statement of financial position of the Trust as at 12 August 2019 adjusted for the effects of the pro forma adjustments described below:

- a) Application of the significant accounting policies set out in Section 9.3;
- b) The column headed "Minimum Subscription \$250 million raised", has been prepared on the basis of subscriptions of 166,666,667 Units by Applicants under this PDS at an Offer Price of \$1.50;
- c) The column headed "Illustrative subscription \$500 million raised", has been prepared on the basis of subscriptions of 333,333,333 Units by Applicants under this PDS at an Offer Price of \$1.50;
- d) Expenses related to the Offer will be paid by the Magellan Group. No expenses related to the Offer will be paid out of the assets of the Trust;
- e) No interest is earned by the Trust on Application Monies during the Offer period;
- f) Priority Applicants may be eligible to receive a number of Loyalty Units based on the number of Units allotted to them under the Priority Offer, Priority Applicants who, on the Loyalty Unit Determination Date, hold at least the same number of Units allotted to them under the Priority Offer will receive 100% of their Loyalty Units. The economic cost of the issue of the Loyalty Units will not be borne by the Trust or its Unitholders. The Magellan Group will bear the economic cost of the Loyalty Units;
- g) Wholesale Applicants and General Public Applicants may be eligible to receive a number of IPO Foundation Units based on the number of Units allotted to them under the Wholesale Offer or General Public Offer (as applicable). Wholesale Applicants and General Public Applicants who, on the IPO Foundation Unit Determination Date, hold at least the same number of Units allotted to them under the Wholesale Offer or General Public Offer (as applicable) will receive 100% of their IPO Foundation Units. The economic cost of the issue of the IPO Foundation Units will not be borne by the Trust or its Unitholders. The Magellan Group will bear the economic cost of the IPO Foundation Units; and
- h) The Magellan Group will bear the economic cost associated with the issue of Loyalty Units and IPO Foundation Units in accordance with the terms of the MFG Commitment Deed by paying an amount to the Trust equal to the NAV per Unit on the issue of the Loyalty Units and IPO Foundation Units. The pro forma adjustments do not include an estimate of the amount the Trust will receive from Magellan Group or the offsetting obligation of the Trust to issue Loyalty Units and IPO Foundation Units.

9.3 Significant accounting policies

The accounting policies set out below represent the significant accounting policies which have been adopted in the preparation of the Pro Forma Historical Statements of Financial Position and which are expected to be adopted prospectively by the Trust.

Both the functional and presentation currency of the Trust is Australian dollars (\$).

a) Cash and Cash Equivalents

Cash includes cash at bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

b) Unitholders' Equity

The Units issued by the Trust are classified as unitholders' equity in the pro forma statements of financial position. Units are recognised at the value of consideration received by the Trust.

Under the Constitution, the Trust has no obligation to distribute income. Units issued by the Trust are classified as equity as they satisfy the criteria under AASB 132 Financials Instruments Presentation.

c) Terms and Conditions of Units

The units issued by the Trust comprise fully paid ordinary units ("Units"). Each Unit will entitle the holder to receive distributions declared and proceeds on winding up the Trust in proportion to the number of units on issue. A Unit entitles their holder to one vote, either in person or proxy, at a meeting of the Trust.

While the Trust is listed on ASX, Units are not able to be redeemed. However, Magellan may undertake a buyback of Units which satisfies the requirements of the Corporations Act and the ASX Listing Rules.

d) Critical Accounting Estimates and Judgements

The preparation of the Pro-Forma Historical Statements of Financial Position involves judgements, estimates and assumptions that affect the amounts reported. The judgements and estimates are based on historical experience and various other factors believed to be reasonable under the circumstances, but which are inherently uncertain and unpredictable. As such, actual results could differ from those estimates. As the Trust's cash will be held with strongly rated financial institutions, the Trust's assets are not subject to significant judgement or complexity nor are the Trust's liabilities.



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12 August 2019

The Board of Directors
Magellan Asset Management Limited
In its capacity as Responsible Entity for Magellan High Conviction Trust
MLC Centre
Level 36, 19 Martin Place
Sydney NSW 2000

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON PRO FORMA HISTORICAL STATEMENTS OF FINANCIAL POSITION

1. Introduction

We have been engaged by Magellan Asset Management Limited ("Magellan"), as Responsible Entity for Magellan High Conviction Trust (the "Trust"), to report on the pro forma historical statements of financial position of the Trust for inclusion in the Product Disclosure Statement ("PDS") to be dated on or about 13 August 2019, and to be issued by Magellan, in respect of the offer of fully paid ordinary units in the Trust at a subscription price of \$1.50 per unit (the "Offer").

Expressions and terms defined in the PDS have the same meaning in this report.

2. Scope

Pro Forma Historical Statements of Financial Position

You have requested Ernst & Young to review the following pro forma historical financial information of the Trust:

- ▶ the pro forma historical statement of financial position as at 12 August 2019 based on the raising of the minimum subscription of \$250 million, as set out in section 9.1 of the PDS; and
- ▶ the pro forma historical statement of financial position as at 12 August 2019 based on the raising of an illustrative subscription of \$500 million, as set out in section 9.1 of the PDS.

(Hereafter the "Pro Forma Historical Statements of Financial Position" or the "Financial Information").

The Pro Forma Historical Statements of Financial Position have been derived from the unaudited historical statement of financial position of the Trust as at 12 August 2019 adjusted for the effects of pro forma adjustments described in section 9.2 of the PDS.

The Pro Forma Historical Statements of Financial Position have been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards ("AAS") other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect the impact of certain transactions as if they occurred as at 12 August 2019.



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Due to its nature, the Pro Forma Historical Statements of Financial Position do not represent the Trust's actual or prospective financial position.

The Financial Information is presented in the PDS in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

The directors of Magellan, as Responsible Entity of the Trust, are responsible for the preparation and presentation of the Pro Forma Historical Statements of Financial Position, including the basis of preparation, selection and determination of pro forma adjustments made and included in the Pro Forma Historical Statements of Financial Position. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Pro Forma Historical Statements of Financial Position that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Statements of Financial Position based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Pro Forma Historical Statements of Financial Position

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information comprising:

- ▶ the pro forma historical statement of financial position as at 12 August 2019 based on the raising of the minimum subscription of \$250 million, as set out in section 9.1 of the PDS; and
- ▶ the pro forma historical statement of financial position as at 12 August 2019 based on the raising of an illustrative subscription of \$500 million, as set out in section 9.1 of the PDS.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 9.1 of the PDS.



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Restriction on Use

Without modifying our conclusions, we draw attention to Section 9.1 of the PDS, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

6. Consent

Ernst & Young has consented to the inclusion of this limited assurance report in the PDS in the form and context in which it is included.

7. Independence or Disclosure of Interest

Ernst & Young does not have any interests in the outcome of this Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

For personal use only

Investing in the Trust is likely to have tax consequences. Before investing in the Trust, investors are strongly recommended to seek their own professional tax advice about the applicable Australian tax consequences and, if appropriate, foreign tax consequences that may apply to them based on their particular circumstances.

The taxation information contained in this PDS reflects the Australian income tax legislation in force, and the interpretation of the Australian Taxation Office ("ATO") and the courts, as at the date of issue of this PDS. Taxation laws are subject to continual change and there are reviews in progress that may impact the taxation of trusts and investors.

The Trust intends to elect to become an Attribution Managed Investment Trust ("AMIT"). Accordingly, investors will be subject to tax on the income of the Trust that is attributed to them under the AMIT rules each year ending 30 June. If there is income of the Trust that is not attributed to an investor, the Trust will be subject to tax at the highest marginal rate (plus Medicare levy) on that non-attributed income. The AMIT rules contemplate that the Trust may reinvest part or all of your distribution and/or accumulate part or all of the Trust's income in the Trust, in which case the income of the Trust that is attributed to you (and which must be included in your income tax return) will be more than the total distribution you receive.

Investors will be assessed for tax on their share of the net income and net capital gains generated by the Trust that is attributed to them under the AMIT rules. Investors will receive a tax statement after the end of each financial year (referred to as an AMIT Member Annual Statement) that will provide them with details of the amounts that have been attributed to them by the Trust to assist them in the preparation of their tax return.

If the Trust were to incur a tax loss for a year then the Trust could not attribute that loss to investors. However, subject to the Trust meeting certain conditions, the Trust may be able to recoup such a loss against taxable income of the Trust in subsequent income years.

Depending on an investor's particular circumstances, they may also be liable to pay capital gains tax (or income tax if they hold their Units on revenue account) when they sell Units in the Trust or, where Units are not quoted on ASX, make off market withdrawals.

Additional Units issued pursuant to the Offer (Loyalty Units and IPO Foundation Units)

An Applicant who does not sell or purchase any Units on market prior to the Loyalty Unit Determination Date and IPO Foundation Unit Determination Date will be taken to have subscribed for their Loyalty Units and/or IPO Foundation Units as part of their Application for Units under the Offer. For capital gains tax ("CGT") purposes, such an Applicant will:

- have a cost base in each of the Units originally issued to them ("Original Units") and their Loyalty Units and/or IPO Foundation Units equal to the Offer Price paid by that Applicant under the Offer divided by the aggregate number of their Original Units and Loyalty Units and/or IPO Foundation Units; and
- be taken to have acquired all of their Original Units and Loyalty Units and/or IPO Foundation Units on the date on which their Application under the Offer was accepted by the Trust.

An Applicant who sells all of their Original Units and is not a unitholder (either directly as a registered Unitholder or indirectly via their Intermediary) on the Loyalty Unit Determination Date and IPO Foundation Unit Determination Date and does not purchase any other Units in order to be a unitholder (either directly as a Unitholder or indirectly via their Intermediary) on the Loyalty Unit Determination Date and IPO Foundation Unit Determination Date will not receive any Loyalty Units and/or IPO Foundation Units (refer to Section 5.2 and Section 5.5). Such an Applicant will calculate their capital gain (or capital loss) on the sale of their Original Units by reference to a cost base per Unit equal to the Offer Price paid by them under the Offer divided by the number of Original Units issued to them.

An Applicant who acquires additional Units on market such that the number of Units held by them on the Loyalty Unit Determination Date and IPO Foundation Unit Determination Date exceeds the number of Original Units allotted to them ("Excess Units") will not receive Loyalty Units and/or IPO Foundation Units in respect of those Excess Units. Any such Excess Units will have a cost base for CGT purposes equal to the amount paid to acquire them on market, with the acquisition date of such Units for CGT purposes being the date on which the Applicant entered into the contract(s) under which those Units were acquired.

An Applicant who sells some of their Original Units and also acquires other Units on market such that they are a unitholder (either directly as a Unitholder or indirectly via their Intermediary through which they were allotted their Original Units) on the Loyalty Unit Determination Date and IPO Foundation Unit Determination Date will receive Loyalty Units and/or IPO Foundation Units in accordance with the PDS (but not in respect of any Excess Units). In such a case, for CGT purposes, the Applicant will:

- have a cost base for the Original Units initially issued to them (some of which have been sold) plus any Loyalty Units and/or IPO Foundation Units they receive equal to the subscription amount paid by that Applicant under the Offer divided by the aggregate number of the total number of Original Units initially issued to them plus any Loyalty Units and/or IPO Foundation Units allotted to them;
- be taken to have acquired all of their Original Units and any Loyalty Units and/or IPO Foundation Units allotted to them on the date on which their Application under Priority Offer was accepted by the Trust; and
- have a cost base for any Units acquired by them on market (including any Excess Units) equal to the amount paid by them to acquire those Units, with the acquisition date of such Units for CGT purposes being the date on which that Applicant entered into the contract(s) under which those Units were acquired.

Any Units acquired on market by an Applicant on or after the day prior to the Loyalty Unit Determination Date and IPO Foundation Unit Determination Date (including in the period between the day prior to the Loyalty Unit Determination Date and IPO Foundation Unit Determination Date and the date on which the Loyalty Units and IPO Foundation Units are allotted) will have a cost base for CGT purposes equal to the amount paid to acquire them on market, with the acquisition date of such Units for CGT purposes being the date on which the Applicant entered into the contract(s) under which those Units were acquired.

Taxation of non-resident investors

If a non-resident Unitholder is entitled to taxable income of the Trust, the Unitholder may be subject to Australian tax at the rates applicable to non-residents. If you are a non-resident, you may be entitled to a credit for Australian income tax paid by the Trust in respect of your tax liability.

Taxation reforms

Reforms to the taxation of trusts are generally ongoing. Investors should seek their own advice and monitor the progress of announcements and proposed legislative changes on the potential impact.

Quoting your Tax File Number ("TFN") or an Australian Business Number ("ABN")

It is not compulsory for Unitholders to quote their TFN, ABN, or exemption details. However, should a Unitholder choose not to, Magellan is required to deduct tax from a Unitholder's distributions at the maximum personal rate (plus the Medicare levy). Collection of TFNs is permitted by taxation and privacy legislation.

GST

The goods and services tax will not be payable on your investment in the Trust.

Foreign Account Tax Compliance Act

Under the Foreign Account Tax Compliance Act ("FATCA") Magellan is deemed to be a "foreign financial institution" and is required to collect and report information about certain investors identified as U.S. tax residents or citizens. In order to comply with its FATCA obligations, Magellan may request investors to provide certain information ("FATCA Information").

To the extent that all FATCA Information is obtained, the imposition of US withholding tax on payments of US income, or gross proceeds from the sale of particular US securities, shall not apply. Although Magellan attempts to take all reasonable steps to comply with its FATCA obligations and to avoid the imposition of withholding tax, this outcome is not guaranteed. Under the terms of the intergovernmental agreement between the US and Australian governments, Magellan may provide FATCA Information to the ATO. Please be aware that Magellan may use your personal information in order to comply with FATCA, and may contact a Unitholder if additional information is required.

Common Reporting Standard (CRS)

The Common Reporting Standard ("CRS") is a global standard for the collection, reporting and exchange of financial account information on foreign tax residents. The CRS requires Magellan to collect certain information about a Unitholder's tax residence. If a Unitholder is a tax resident of any country outside Australia, Magellan may be required to pass certain information about the Unitholder (including account-related information) to the ATO. The ATO may then exchange this information with the tax authorities of another jurisdiction or jurisdictions, pursuant to intergovernmental agreements to exchange financial account information.

Although the CRS does not involve any withholding tax obligations, please be aware that Magellan may use a Unitholder's personal information to comply with the CRS obligations, and may contact a Unitholder if additional information is required.

12. Additional Information

12.1 Trust's Constitution

The operation of the Trust is governed under the law and the Constitution of the Trust. If you invest in the Trust, you agree to be bound by the terms of this PDS and the Constitution. Please consider the Constitution before investing in the Trust. Investors can inspect a copy of the Constitution at Magellan's head office or Magellan will provide a copy free of charge.

A summary of the key rights and obligations attaching to the Units and a description of the material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the terms of the Constitution. The rights and obligations attaching to ownership of Units are also governed by the Corporations Act, the ASX Listing Rules and general law.

Units

The beneficial interest in the Trust is divided into Units. Each Unit confers on its Unitholder an undivided absolute, vested and indefeasible beneficial interest in the Trust as a whole, subject to the Trust's liabilities, not in parts of or single assets. A Unitholder holds a Unit subject to the rights and obligations attaching to that Unit.

Applicants will be issued Units under the Offer.

No redemption of Units

While the Trust is listed on ASX, Units are not able to be redeemed. However, Magellan may undertake a buyback of Units which satisfies the requirements of the Corporations Act and the ASX Listing Rules. Any Units acquired by Magellan under a buyback will be immediately cancelled, as required by the Corporations Act.

Issue of Units

Magellan may issue new Units upon and subject to the terms and conditions of the Constitution, including by way of placement, rights issue, Unit purchase plan, distribution reinvestment plan or consideration for a takeover. The Constitution provides Magellan with the discretion to determine the issue price in relation to Units where permitted by ASIC exemptions and the ASX Listing Rules. No Units may be issued after the 80th anniversary of the date the Trust commenced.

On the Loyalty Unit Issue Date and IPO Foundation Unit Issue Date, by which time Magellan will have determined the number of Loyalty Units and IPO Foundation Units to be issued to Applicants, Magellan will issue that number of Loyalty Unit and IPO Foundation Units. The Magellan Group will bear the economic cost associated with the issue of the Loyalty Units and IPO Foundation Units in accordance with the terms of the MFG Commitment Deed as set out in Section 12.3.

Liability of Unitholders

The Constitution states that a Unitholder's liability is limited to the amount the Unitholder subscribed or agreed to subscribe for their Units, but the courts are yet to determine the effectiveness of provisions of this kind.

Magellan's powers and duties

Magellan has all the power in respect of the Trust that is legally possible for a natural person, corporate or trustee to have as if it were the absolute and beneficial owner of the Trust's assets. Magellan may invest in, dispose of or otherwise deal with assets, borrow or raise money, incur liabilities and obligations of any kind, grant a security interest over the Trust's assets, enter into underwriting arrangements, and mix and mingle the Trust's assets with other co-investors. Magellan may also delegate its powers to another person, including a related party or an associate.

Magellan's remuneration and recovery of expenses

The Constitution provides Magellan is entitled to charge the fees summarised in Section 7 of this PDS. All costs, charges, expenses and outgoings reasonably and properly incurred by Magellan in the proper performance of its duties may be payable or reimbursable out of the Trust's assets and, if appropriate, such expenses may be referable to a particular class of Unitholders.

Magellan's indemnity

Where Magellan acts without fraud, negligence or breach of trust, Magellan is indemnified out of the Trust's assets for any liability (including tax liability) properly incurred by it or through an agent, manager, adviser or delegate in relation to the Trust. This indemnity is in addition to any indemnity under law.

Removal and retirement of Magellan

Unitholders do not have a right to remove Magellan as the responsible entity other than the right granted by the Corporations Act. Subject to the ASX Listing Rules, Magellan may retire in accordance with the Corporations Act and must retire when required under the Corporations Act.

Duration of the Trust

The Trust commences when the first investor or investors are issued Units and will continue until terminated, subject to the Corporations Act and ASX Listing Rules (if applicable):

- as required by operation of law; or
- by Magellan on a date specified in a notice given to Unitholders.

On termination of the Trust, Magellan must distribute the net proceeds from the realisation of the Trust's assets among the Unitholders in proportion to the number of Units they hold on the termination date or, if there is more than one class, the net proceeds referable to a class are distributed among the Unitholders in proportion to the number of Units they hold in that class on the termination date. Any proper expenses of termination and winding up will be deducted from the net proceeds of realisation before being distributed to Unitholders.

Amendments to Constitution

Magellan may alter the Constitution if it reasonably considers the amendments will not adversely affect Unitholders' rights. Otherwise, Magellan must obtain Unitholders' approval to a special resolution at a meeting of Unitholders. Any amendment to the Constitution will not be effected until the modification is lodged with ASIC.

Unitholder meetings and voting

Unitholder meetings are to be held in accordance with the Constitution and the Corporations Act. Magellan may convene and conduct a meeting at any time and must do so if required under the Corporations Act. Unitholders' rights to requisition a meeting are contained in the Corporations Act. Votes are by show of hands, unless a poll is validly demanded or required under the Corporations Act.

Proportional takeover bid

The Constitution sets out the process required for a person to obtain approval from Unitholders for a proportional takeover bid. Transfers of Units resulting from a Unitholder accepting an offer under a proportional takeover bid will be prohibited unless this process is followed.

Small holdings

In certain circumstances, Magellan may sell any Units held by a Unitholder which comprise less than a marketable parcel as provided in the ASX Listing Rules. This is to avoid the administrative cost and inconvenience of maintaining a register of multiple small holdings.

12.2 Compliance plan

Magellan has prepared and lodged a compliance plan for the Trust with ASIC. The compliance plan sets out how Magellan will ensure compliance with the Corporations Act, the Constitution and the ASX Listing Rules when operating the Trust. Magellan's board of Directors, which is comprised of a majority of independent Non-executive Directors, has established a Risk & Compliance Committee to monitor Magellan's compliance with the compliance plan.

12.3 MFG Commitment Deed

Magellan has entered into a Commitment Deed with MFG in relation to the Loyalty Units and IPO Foundation Units and certain other matters relating to the Offer and set out in this PDS ("MFG Commitment Deed").

Under the terms of the MFG Commitment Deed, MFG covenants in favour of Magellan to observe and perform its obligations under the Offer, the PDS and the Constitution, which includes but is not limited to: i) paying the initial expenses associated with the Offer and listing the Trust on the ASX; ii) bearing the economic cost associated with the issue of Loyalty Units and IPO Foundation Units, being the dilutive effect on the NAV per Unit, by paying an amount equal to the NAV per Unit on the issue of the Loyalty Units and IPO Foundation Units; and iii) paying an amount equal to the cost of a DRP discount.

The MFG Commitment Deed may only be terminated by Magellan in certain circumstances. MFG has no right to terminate the MFG Commitment Deed. The MFG Commitment Deed will automatically terminate on the retirement or removal of Magellan as responsible entity of the Trust.

12.4 Investor considerations

Before deciding to participate in this Offer, you should consider whether the Units to be issued are a suitable investment for you. There are general risks associated with any investment in an entity listed on the ASX.

The value of Units listed on the ASX may rise or fall depending on a range of factors beyond the control of Magellan.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this PDS from a stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects relating to the Offer will vary between Investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

12.5 ASX waivers and confirmations

In connection with the Offer and the listing of the Trust on ASX, Magellan has obtained from ASX certain in-principle confirmations and waivers including the following:

- the financial information provided in this PDS is sufficient for the purposes of ASX Listing Rule 1.3.5(a);
- the terms of the Units are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- the application for admission of the Trust to the official list of ASX specify the minimum subscription amount under the Offer as the number of Units to be quoted;
- the issue of the Loyalty Units and IPO Foundation Units will not reduce the Trust's placement capacity under ASX Listing Rule 7.1 or require approval of the holders of Units for the purposes of ASX Listing Rule 10.11; and
- to permit Magellan to conduct on-market buybacks during the five ASX Trading Days from the date the Trust is listed on ASX at a price which is not above the Offer Price.

12.6 ASIC relief

ASIC has granted relief under:

- section 1020F of the Corporations Act from sections 1013H, 1016D and 1016E of the Corporations Act to permit Magellan to apply for listing on ASX no later than seven days of the date of issue of Units and the quotation of Units at the end of three months after the date of issue of Units on the condition that Magellan offers Units under a product disclosure statement lodged with ASIC that discloses the full particulars of the issue of Units;
- section 1020F of the Corporations Act from section 1017E(4) of the Corporations Act to enable Magellan to issue Units under the Offer on the dates set out in Important Dates section of the PDS. This relief will allow Magellan to hold Application Monies under the Offer for a period of up to 60 days; and
- paragraph 601QA(1)(b) of the Corporations Act to enable Magellan to determine the issue price of Units at a price equal to the NAV per Unit where the NAV per Unit is greater than or equal to the market price of Units on ASX.

12.7 Legal proceedings

To the knowledge of the Directors, there is no material current, pending or threatened litigation with which Magellan or the Trust is directly or indirectly involved.

12.8 Related party transactions and conflicts of interest

Magellan may use the services of related parties in the management of the Trust and pay fees for their services. All related party transactions are conducted on arm's length normal commercial terms and conditions.

From time to time, Magellan, its related bodies corporate or their Directors and employees may hold Units in the Trust.

Magellan may be subject to conflicts of interest when performing its duties in relation to the Trust. Magellan has policies and procedures in place to manage appropriately these conflicts of interest.

Interests of Directors

As at the date of this PDS, the Directors of Magellan do not hold any interests in the Trust.

Remuneration of Directors

The fees and expenses of the Directors of Magellan are paid by Magellan in its own right and will not be reimbursed out of the assets of the Trust.

12.9 Consents

Each of the following parties has given and, before lodgement of the paper PDS with ASIC and the issue of the electronic version of this PDS, has not withdrawn its written consent to be named as performing the below role in the form and context in which it is so named.

| Role | Name |
|---|----------------------------|
| Unit Registry | Boardroom Pty Limited |
| Custodian | The Northern Trust Company |
| Legal adviser and tax adviser | Allens |
| Auditor of the Trust and Investigating Accountant | Ernst & Young |

Each of the above parties has only been involved in the preparation of that part of the PDS where they are named. Except to the extent indicated above, none of the above parties have authorised or caused the issue of the PDS and takes no responsibility for its contents.

12.10 Offer and initial listing expenses

The Magellan Group intends to bear the initial expenses associated with the Offer and listing the Trust on ASX. These expenses include legal, tax, accounting and other services related to the Offer and listing the Trust on ASX, any fees or costs imposed by a regulator and initial ASX listing fees.

12.11 Ongoing Trust expenses

The Magellan Group will bear certain ongoing expenses associated with the Trust including custody, ongoing ASX listing costs and unit registry costs. Transaction costs, including brokerage and transaction taxes where it purchases or sells assets, the cost of managing foreign currency exposure, the cost of any borrowings drawn down by the Trust and any unusual costs incurred on behalf of the Trust will be borne by the Trust. The Trust will also bear the management costs (comprising management and performance fees) payable to Magellan, further details of which are outlined in Section 7 of this PDS.

12.12 Complaints

If you have any concerns or complaints, as a first step please contact Magellan's Complaints Officer on +61 2 9235 4888 and Magellan will do its best to resolve your concern quickly and fairly. If you believe that your matter has not been dealt with satisfactorily, you can contact the Australian Financial Complaints Authority:

Website: www.afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001 AFCA.

12.13 Governing law

This PDS and the contracts that arise from the acceptance of Applications under the Offer are governed by the laws applicable in New South Wales, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

13. Glossary

| Defined terms and other terms used in the PDS | Definition |
|---|--|
| \$, A\$ or dollar | The lawful currency of Australia. |
| Absolute Return Performance Hurdle | 10% per annum. |
| AFSL | Australian financial services licence. |
| Allotment Date | The date on which the Units are allotted under the Offer. |
| AMIT | Attribution Managed Investment Trust |
| AML/CTF Act | The <i>Anti-Money Laundering and Counter Terrorism Financing Act 2006</i> (Cth). |
| Applicant | A person who submits a valid Application Form and required Application Monies pursuant to this PDS. |
| Application | An application for Units under this PDS. |
| Application Form | The application form attached to or accompanying this PDS for investors to apply for Units under the Offer (including the electronic form provided by an online application facility). |
| Application Monies | Subscription monies submitted by Applicants under the Offer. |
| ASIC | Australian Securities and Investments Commission. |
| ASX | ASX Limited ABN 98 008 624 691 or the financial market known as the Australian Securities Exchange it operates, as the context requires. |
| ASX Corporate Governance Principles | The corporate governance principles and recommendations of the ASX Corporate Governance Council as at the date of this PDS. |
| ASX Listing Rules | The listing rules of ASX from time to time. |
| ASX Settlement Rules | The settlement rules of ASX from time to time. |
| ASX Trading Day | The day and time during which Units are traded on the ASX. |
| Business Day(s) | The days identified by ASX upon which settlement occurs. In addition to weekends, a number of public holidays are also declared by ASX to be non-business days. |
| Calculation Period | Each six-monthly period ending 30 June and 31 December in each year for the purposes of calculating performance fees. |
| CHESS | Clearing House Electronic Sub-register System, the Australian settlement system for equities and other issued products traded on ASX and other exchanges. CHESS is owned by ASX. |
| Closing Date | The date that the Offer closes. |
| Constitution | The Constitution of the Trust. |
| Corporations Act | The <i>Corporations Act 2001</i> (Cth). |
| Custodian | The entity that holds the assets of the Trust, initially being The Northern Trust Company. |
| Direct Magellan Holder | Has the meaning ascribed to that term in Section 5.2. |
| DRP | The distribution reinvestment plan established by Magellan for the Trust. |
| DRP Rules | The rules of the DRP as varied from time to time. |
| ESG | Environmental, Social and Governance. |
| Eligible Vehicle | Has the meaning ascribed to that term in Section 5.2. |
| Excess Return | The Trust's Total Return less the Absolute Return Performance Hurdle, expressed in dollar terms. |
| Exposure Period | The seven day period after the date of lodgement of the PDS with ASIC (as extended by ASIC (if applicable)). |
| FATCA | Foreign Account Tax Compliance Act. |
| General Public Applicant | A person who submits a valid Application Form and required Application Monies under the General Public Offer pursuant to this PDS. |
| General Public Offer | The general public offer described in Section 5.4 |
| GST | Goods and Services Tax. |

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| High Water Mark | The NAV per Unit at the end of the most recent Calculation Period for which Magellan was entitled to a performance fee, less any intervening income or capital distribution. |
| HIN | Holder Identification Number. |
| Indirect Magellan Holder | Has the meaning ascribed to that term in Section 5.2. |
| Intermediary | An Investor Directed Portfolio Service ("IDPS"), IDPS-like scheme or a nominee or custody service. |
| Investment Strategy | The investment objectives, investment strategy, investment process, permitted investments, investment parameters and elements of investing detailed in this PDS, in particular Sections 2 and 3. |
| IPO Foundation Unit | Additional Units to be received by Wholesale Applicants and General Public Applicants who are allotted Units under the Wholesale Offer or General Public Offer (as applicable) on the terms set out in Section 5.5. |
| IPO Foundation Unit Determination Date | The record date for determining the vesting of IPO Foundation Units, being 31 December 2019. Wholesale Applicants and General Public Applicants who have been allotted Units under the Wholesale and General Public Offer must be unitholders (either directly as a Unitholder or indirectly via the Intermediary through which they were allotted Units) on this date to qualify to have IPO Foundation Units issued to them. |
| IPO Foundation Unit Issue Date | The date determined by Magellan for the issue of IPO Foundation Units to eligible Applicants, expected to be 15 January 2020. |
| Loyalty Unit | Additional Units to be received by Priority Applicants who are allotted Units under the Priority Offer on the terms set out in Section 5.2. |
| Loyalty Unit Determination Date | The record date for determining the vesting of Loyalty Units, being 31 December 2019. Priority Applicants who have been allotted Units under the Priority Offer must be unitholders (either directly as a Unitholder or indirectly via the Intermediary through which they were allotted Units) on this date to qualify to have Loyalty Units issued to them. |
| Loyalty Unit Issue Date | The date determined by Magellan for the issue of Loyalty Unit to eligible Applicants, expected to be 15 January 2020. |
| Magellan | Magellan Asset Management Limited ABN 31 120 593 946; AFSL 304 301 as responsible entity and investment manager of the Trust or in its own capacity, as the context requires. |
| Magellan Group | MFG or a Related Body Corporate of MFG that is incorporated in Australia, including Magellan. |
| MFG | Magellan Financial Group Limited ABN 59 108 437 592. |
| MFG Commitment Deed | The commitment deed between Magellan and MFG dated on or around 12 August 2019, a summary of which is included in Section 12.3. |
| Minimum Subscription | The minimum subscription being sought by Magellan under the Offer, being \$250,000,000. |
| NAV | Net asset value. |
| NAV per Unit | The NAV per Unit is equal to the NAV of the Trust divided by the number of units on issue. |
| Northern Trust | The Northern Trust Company (acting through its Australian branch). |
| Offer | The invitation to subscribe for Units in the Trust under the Priority Offer, Wholesale Offer and/or the General Public Offer. |
| Offer Price | The amount payable by Applicants to Magellan for the issue of Units under the Offer being \$1.50 per Unit. |
| Opening Date | The date that the Offer opens. |
| PDS | This Product Disclosure Statement as issued, amended or supplemented by Magellan and lodged with ASIC from time to time. |
| Portfolio | The portfolio of investments of the Trust from time to time. |
| Portfolio Managers | Hamish Douglass and Chris Wheldon. |
| Priority Applicant | A person who meets the criteria set out in Section 5.2 and who submits a valid Application Form and required Application Monies under the Priority Offer pursuant to this PDS. |
| Priority Determination Date | Has the meaning ascribed to that term in Section 5.2. |
| Priority Offer | The priority offer described in Section 5.2. |
| Pro Forma NAV per Unit | The pro forma NAV per Unit set out in Section 9.1. |
| Related Body Corporate | Has the meaning given to that term in the Corporations Act. |
| RITC | Reduced Input Tax Credits. |
| RMF | Risk Management Framework. |
| SRN | Securityholder Reference Number. |

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| Target Cash Distribution | The target cash distribution yield of 3% per annum based on the average of the month-end NAV per Unit over a two year rolling period. |
| Total Return | The Trust's Total Return per Unit. |
| Unit | Fully paid ordinary Unit in the Trust. |
| Unit Registry | Boardroom Pty Limited ABN 14 003 209 836, being the entity that will operate the registry for the Units. |
| Unitholder | A registered holder of a Unit. |
| Wholesale Applicant | A person who submits a valid Application Form and required Application Monies under the Wholesale Offer pursuant to this PDS. |
| Wholesale Client | A person who (as the context requires): <ul style="list-style-type: none"> a) is a wholesale client within the meaning set out in section 761G of the Corporations Act; or b) in the case of an Applicant domiciled in New Zealand, is a person who is a wholesale investor within the meaning set out in clause 3(2) of Schedule 1 of the New Zealand Financial Markets Conduct Act 2013. |
| Wholesale Offer | The wholesale offer described in Section 5.3. |

14. Directory

Trust

Magellan High Conviction Trust
ARSN 634 789 754
Level 36, MLC Centre
19 Martin Place
Sydney NSW 2000

Responsible Entity and Investment Manager

Magellan Asset Management Limited
ABN 31 120 593 946
AFSL 304 301
Level 36, MLC Centre
19 Martin Place
Sydney NSW 2000

Unit Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Custodian

The Northern Trust Company
Level 47, 80 Collins Street
Melbourne, Victoria 3000

Legal Adviser and Tax Adviser

Allens
Level 28, Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

Auditor and Investigating Accountant

Ernst & Young
200 George Street
Sydney NSW 2000

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