

Magellan Financial Group Limited Full Year Results

For the year ended 30 June 2021



Introduction

Financial Year Highlights¹

- Average funds under management up 9% to \$103.7 billion
- Management and services fees revenue up 7% to \$635.4 million
- Profit before tax and performance fees of the Funds Management business up 10% to \$526.6 million
- Statutory net profit after tax down 33% to \$265.2 million
- Adjusted net profit after tax and before associates increased by 4% to \$454.5 million
- Including associates, adjusted net profit after tax decreased 6% to \$412.7 million
- Total dividend for the year down 2% to 211.2 cents per share, 75% franked

Kirsten Morton, CFO: FY21 Financial Results

Brett Cairns, CEO: Business Overview

Hamish Douglass, Chairman & CIO: Global Equity Strategy

Q&A: Hamish Douglass, Brett Cairns & Kirsten Morton

¹ Percentage changes are relative to 12 month period ended 30 June 2020.



FY21 Financial Results

Kirsten Morton, Chief Financial Officer

Magellan Financial Group Full Year Results

\$ million	30 June 2021	30 June 2020	% change
Management and services fees	635.4	591.6	7%
Performance fees	30.1	81.0	(63%)
Other revenue and income	33.6	20.3	65%
Adjusted revenue and other income	699.1	692.9	1%
Adjusted expenses	111.3	119.8	(7%)
Adjusted net profit before tax	587.7	573.2	3%
Adjusted net profit after tax and before associates	454.4	438.3	4%
Share of after tax profit/(loss) of associates	(41.8)	-	n/m
Adjusted net profit after tax	412.7	438.3	(6%)
Transaction costs related to strategic initiatives (after tax)	(154.1)	(38.1)	304%
Amortisation expense of intangible assets	(4.5)	(4.7)	(3%)
Net unrealised change in fair value of financial assets and liabilities (after tax)	11.2	0.7	1,476%
Net profit after tax	265.2	396.2	(33%)
Key statistics			
Diluted EPS (cents per share)	144.6	218.3	(34%)
Adjusted diluted EPS (cents per share)	225.0	241.5	(7%)
Interim and final dividend (cents per share)	199.7	184.5	8%
Annual performance fee dividend (cents per share)	11.5	30.4	(62%)
Total dividend (cents per share)	211.2	214.9	(2%)
Franking	75%	75%	

Adjusted financial measures are adjusted for non-cash items (amortisation expense and unrealised gains/losses) and transaction costs related to strategic initiatives

Tax and Dividends

- Effective tax rate for the 12 months to 30 June 2021 is 21.4% (Offshore Banking Unit)
- Dividends:
 - 6 month dividend of 114.1 cents per share (75% franked at tax rate of 30%) comprising:
 - Final Dividend of 102.6 cents per share (91.6 cents per share for six months to 30 June 2020)
 - Performance Fee Dividend of 11.5 cents per share (30.4 cents per share for six months to 30 June 2020)
 - Dividend policy¹:
 - Interim and Final dividends based on 90%-95% of profit of Funds Management business excluding crystallised performance fees
 - Annual Performance Fee Dividend of 90%-95% of net crystallised performance fees after tax
 - [90-95% of any cash dividends received from investments in Magellan Capital Partners during the financial year will be included in the Final Dividend]
- Implementing a Dividend Reinvestment Plan (DRP)
 - Provides Magellan with additional funding flexibility
 - Allows shareholders to reinvest at a 1.5% discount with no brokerage charges
 - Elections to participate need to be made by 7 September 2021 for the final dividend

1. Subject to corporate, legal and regulatory considerations.

Expenses

- Costs associated with strategic initiatives considered as outside day-to-day operating expenses
 - Excluded from Funds Management business
 - Excluded from dividend payout
- Cost to income ratio (excluding performance fees) of 16.9% during the period
 - Key driver of profit is not expense movements, but FUM movements
- Expect Funds Management business expenses in 2022 financial year to be in the range of \$125-\$130 million



Business Overview

- 1. Funds Management Business***
- 2. Business Resilience and Diversification Update*

Brett Cairns, Chief Executive Officer

Funds Management Business

\$ million	30 June 2021	30 June 2020	% change
Revenue			
Management fees	631.4	587.2	8%
Performance fees	30.1	81.0	(63%)
Services fees	4.0	4.4	(8%)
Interest and other revenue	(1.9)	2.2	(185%)
	663.6	674.8	(2%)
Expenses			
Employee expense	70.4	73.8	(5%)
Other expense	36.5	43.0	(15%)
	106.9	116.8	(8%)
Profit before tax	556.7	558.0	(0%)
Profit before tax and before performance fees¹	526.6	477.0	10%

Key Statistics

	30 June 2021	30 June 2020	% change
Average Funds Under Management (\$ billion)	103.7	95.5	9%
Average AUD/USD exchange rate	0.7469	0.6716	11%
Avg. number of employees	135	128	5%
Employee expense/total expense	65.8%	63.2%	
Cost/Income	16.1%	17.3%	
Cost/Income (excl performance fees) ¹	16.9%	19.7%	

¹ Adjusts for the current period performance fee impact on revenue and expenses for the 12 month period.

Investment Performance

For the periods to 30 June 2021

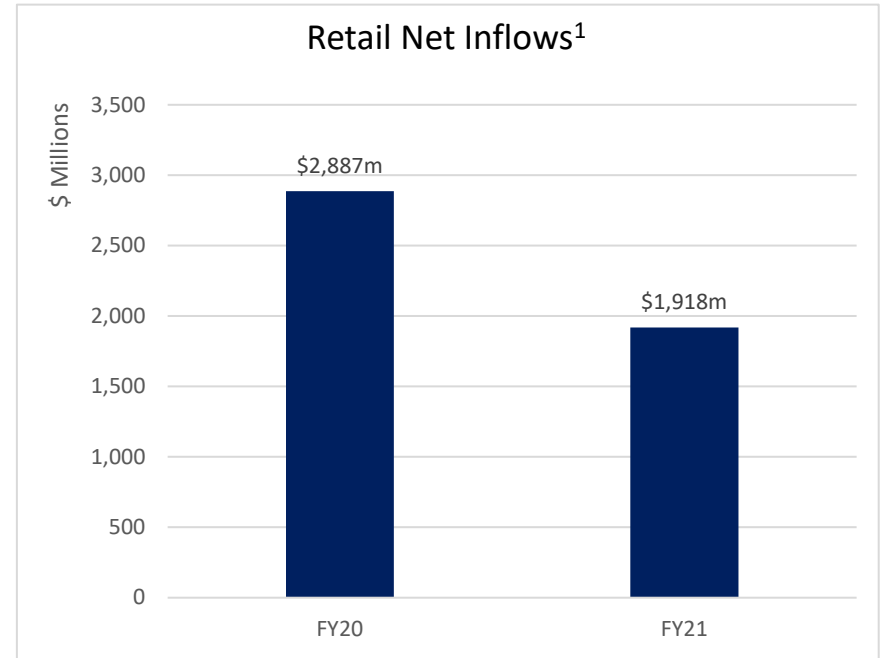
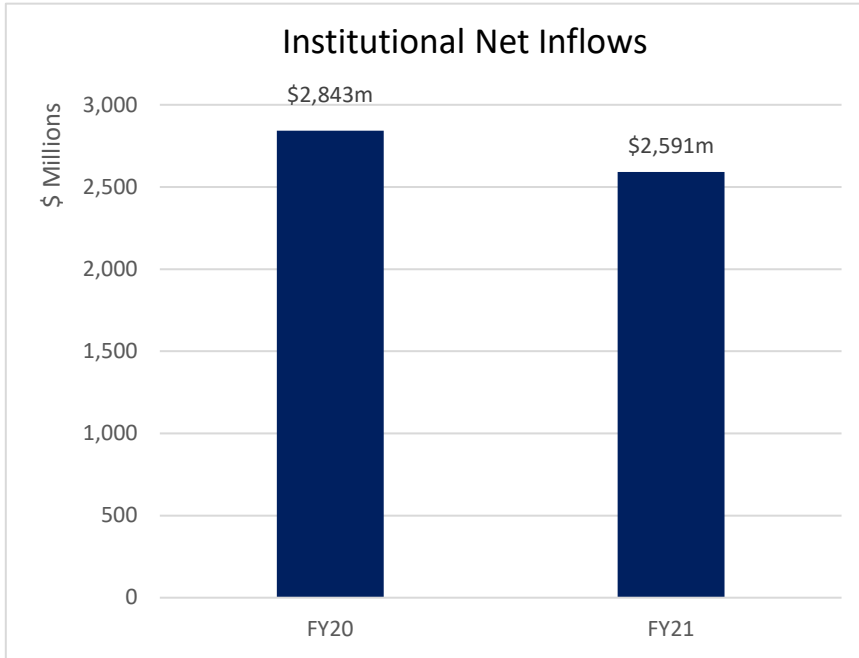
	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.) ¹
Magellan Global Fund	10.8	13.2	14.4	11.9
MSCI World NTR Index (\$A)	27.5	14.4	14.6	7.7
Magellan Infrastructure Fund	7.9	4.6	5.9	7.6
Global Listed Infrastructure Benchmark (\$A) ²	17.2	3.3	4.8	5.1
Magellan High Conviction Fund	17.4	12.1	15.2	15.0
Airlie Australian Share Fund	33.7	12.1	-	13.3
S&P/ASX 200 Accum. Index	27.8	9.6	-	10.5

¹ Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007, the inception date for Magellan High Conviction Fund is 1 July 2013 and the inception date for Airlie Australian Share Fund is 1 June 2018.

² The Global Listed Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure and Utilities NTR Index (AUD Hedged) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (AUD Hedged).

Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Source: MSCI, UBS, S&P, Bloomberg, Magellan Asset Management Limited.

FY21 Net Flows



Total net inflows for the 12 months ended 30 June 2021: \$4.5 billion

¹ Includes proceeds of the Magellan High Conviction Trust IPO in October 2019 and the Magellan Global Fund Partnership Offer in February 2021

Funds Under Management

As at 30 June 2021 (\$ billion)

Strategy	30 June 2020	Net Inflows	Investment Performance	30 June 2021 ¹
Global Equities	\$74.3	\$2.8	\$9.3	\$85.4
Global Listed Infrastructure	\$15.9	\$1.6	\$1.5	\$19.0
Australian Equities	\$7.0	\$0.1	\$2.4	\$9.5
	\$97.2	\$4.5	\$13.2	\$113.9

¹ Reflects \$1.0 billion of net distributions paid in Magellan funds. May not add due to rounding



Business Overview

1. Funds Management Business

2. Business Resilience and Diversification Update

Brett Cairns, Chief Executive Officer

Restructure of Global Equities Retail Funds

- Restructure of three Global Equities retail funds into a single trust (Magellan Global Fund) completed in December 2020
- Magellan Global Fund now has two unit classes:
 - Closed Class Units quoted on ASX under the ASX Listing Rules (ASX: MGF)
 - Open Class Units quoted on ASX under the AQUA Rules and off market access (ASX: MGOOC / APIR: MGE0001AU)
- Simplifies investment proposition whilst allowing investors greater flexibility to access Magellan's flagship investment strategy
- Potential for more efficient secondary trading in Closed Class Units
- Extension of progress Magellan has made to provide retail investors greater access and choice in how to invest with reduced friction

Restructure Partnership Benefits

- Magellan was pleased to raise \$780 million as part of the Magellan Global Fund Partnership Offer completed in March 2021
- Investors who participated in the Partnership Offer received valuable partnership benefits:
 - Additional Closed Class Units worth 7.5% of subscription value in partnership with Magellan; and
 - One MGF Option for each Closed Class Unit issued
- Separately, under the Bonus MGF Option Issue all Closed Class unitholders were issued bonus MGF Options on a 1-for-2 pro rata basis
- All partnership benefits and restructure costs funded by Magellan, not Magellan Global Fund or its unitholders
- For the year ended 30 June 2021, expense of ~\$148 million (after-tax) comprising \$38 million associated with the additional Closed Class Units and \$110 million associated with the MGF Options
 - Accounting standards require the options exercise price discount to be expensed upfront
 - Over time, the liability will now move in line with changes to the unit price and when the MGF Options are exercised or ultimately expire
- At current unit prices, if all MGF Options are exercised, represents an additional \$2.1 billion in FUM
- Magellan to fund via existing financial resources and a corporate debt facility

Recent Fund Initiatives

MFG Core Series

- MFG Core International Fund (CXA: MCSG / APIR: MGE3851AU)
- MFG Core ESG Fund (CXA: MCSE / APIR: MGE8722AU)
- MFG Core Infrastructure Fund (CXA: MCSI / APIR: MGE9182AU) now available to retail investors through the Chi-X securities exchange or direct application

Magellan Sustainable Fund

- Magellan Sustainable Fund (CXA: MSUF / APIR: MGE4669AU) now available to retail investors through the Chi-X securities exchange or direct application

Magellan FuturePay

- Launch of Magellan **FuturePay** (CXA: FPAY / APIR: MGE9989AU) in June 2021

Magellan *FuturePay*

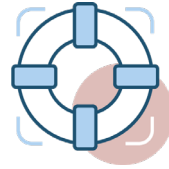
- **The goal:** To develop a single product that captures important portfolio and structural risk management techniques and balances the competing objectives of investing for income and growth effectively and efficiently
- **Magellan solution: *FuturePay*** is an actively managed fund that aims to deliver:



A predictable monthly income that grows with inflation



Driven by returns and capital growth, with a focus on downside protection



Underpinned by a reserving strategy and income support



Together with daily access to your capital

Independent review: Rice Warner's Review of Retirement Solutions¹

*"Investing in **FuturePay** provides considerable uplifts on both income and accessible capital through retirement."*

¹ Quote from Rice Warner, Review of Retirement Solutions, 5 May 2021 (Section 1.5, page 5 of 118). This Report is an independent assessment focused on quantifying the outcomes for retirement investors using Magellan *FuturePay* as a component of their retirement strategies. The Report outlines the modelling assumptions and assessment framework used in their analysis.

Principal Investments update

Principal Investments has now been split into two business segments:

- **Fund Investments:** investments in our funds that provide alignment with our clients and allow for seeding of new strategies
- **Magellan Capital Partners:** strategic investments outside Magellan's funds management business that meet stringent criteria

Fund Investments

The Board has set a pre-tax hurdle of 10% p.a. (over business cycle)
for the Fund Investments portfolio

Fund Investment portfolio:

Investment (\$ million)	30 June 2021	30 June 2020
Internal investments		
Cash	0.5	1.4
Investments in:		
Magellan Funds ¹	441.5	388.3
Net seed portfolios	10.6	7.8
Other ²	0.3	7.4
Total	452.9	404.9
Net deferred tax ³	(45.4)	(31.2)
Net Fund Investments	407.5	373.7
Net Fund Investments per share (cents) ⁴	221.7	205.0

Investment Returns:

Time Period	Return
1 Year to 30 June 2021	12.9%
3 Years to 30 June 2021 p.a.	12.6%
5 Years to 30 June 2021 p.a.	13.9%
Since Inception to 30 June 2021 p.a. ⁵	11.5%

1. Investments are set out in note 8 of the interim financial statements; 2. Comprises receivables and payables; 3. Arises from changes in the fair value of financial assets offset by the deferred tax asset relating to unused tax losses; 4. Based on 183,793,753 ordinary shares on issue at 30 June 2021 (30 June 2020: 182,280,222 ordinary shares). 5. Return excludes previous investment in MFF Capital Investments Limited. Inception date of 1 July 2007

Magellan Capital Partners

Investments Criteria

1

High quality management teams

- No operational involvement by Magellan, oversight via non-executive director representation
- No distraction from our Funds Management business

2

High quality companies with meaningful scale in their sector

3

Contributes to the intellectual capital of the business and provides meaningful optionality

4

Attractive financial returns

Magellan investment

- \$156 million investment for 40% non-dilutive economic stake (5% voting)

Business update

- Strong start as a new firm, with ~250 high quality team employed
- Established many of the key systems and processes required
- Corporate Finance and Cash Equities have commenced client servicing activities and have already worked on an array of M&A and capital markets transactions
- Recently commenced publishing company research and is expected to be covering more than 80 ASX listed entities by the end of the year
- Partnership with Barclays proving very beneficial for Barrenjoey's clients
- Based on current run rates, Barrenjoey expect to be profitable at the operating level next year, ahead of expectations

Magellan investment

- \$20 million investment for ~15% (fully diluted) shareholding
- Relationship to explore initiatives to improve access and reduce friction from the investment process for investors

Business update

- Continued to grow the business, bringing on-board a number of established clients such as Praemium, Superhero and Stake
- In early July 2021, FinClear completed the acquisition of Pershing Securities Australia which is expected to bring significantly greater operating scale and allow FinClear to expand its service offering to large stockbroker clients
- The listed securities hosted on FinClear's HIN platform have increased from \$7 billion to \$130 billion, on a combined basis, and FinClear will now service around 250 wholesale intermediary clients and over 300,000 active end client accounts



Magellan investment

- \$103 million investment for 12% (fully diluted) shareholding

Business update

- GYG had a strong year, exceeding its budgeted earnings by almost 50%, despite difficult trading conditions
- COVID-19 conditions have broadly benefited the business, particularly in its convenience focussed drive-thru restaurants
- Achieved new restaurant opening target for the year and now has 157 corporate-owned and franchised restaurants



Global Equity Strategy

Hamish Douglass, Chairman & CIO

Global Equity Strategy Objectives

Minimise the risk of permanent capital loss

(Downside protection)

Achieve attractive risk adjusted returns
over the medium to long-term

(Retail: 9% p.a. net of fees long term target)

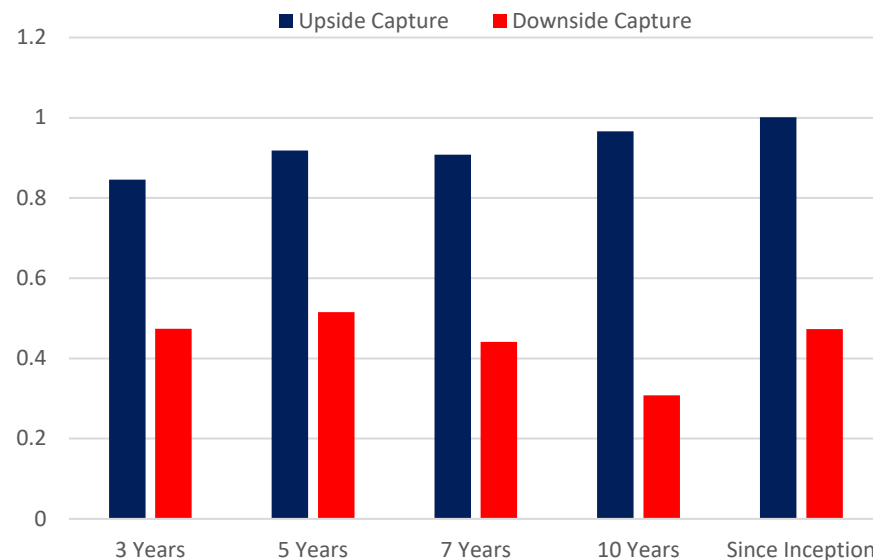
(Institutional: 10% p.a. long term target)

Downside Protection

Global equity composite, periods ending 30 June 2021

Quarterly Excess Returns

	# of markets	Average	Largest Underperformance	Largest Outperformance
All Markets	56	1.0%	-10.5%	15.0%
Down Markets	15	4.2%	-2.8%	15.0%
Index Return < -5%	10	6.4%	N/A	15.0%
Index Return -5% to 0%	5	-0.3%	-2.8%	1.2%
Up Markets	41	-0.2%	-10.5%	4.4%
Index Return 0 % to 5%	22	0.5%	-4.3%	4.2%
Index Return > 5%	19	-0.9%	-10.5%	4.4%

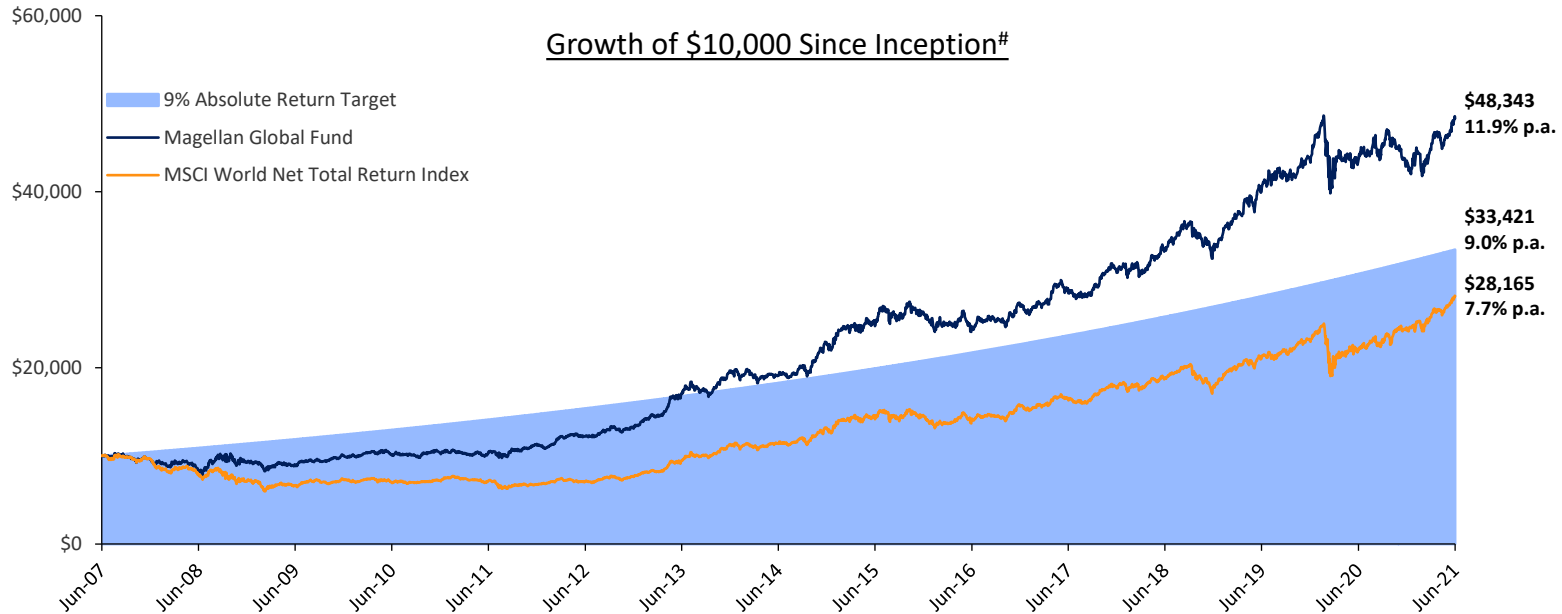


Since inception the strategy has captured approx. 100% of up markets and 50% of down markets...

Source: Bloomberg, Magellan Asset Management Limited. The numerical information above is based on the Global Equity Composite which represents the investment strategy. Excess return data is shown in USD, after fees charged to clients and have been reduced by the amount of the highest fee charged to any client employing that strategy during the period under consideration. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Fees are available upon request. The market capture information is calculated before fees charged to clients, in USD relative to the MSCI World Net TR Index using 3 month returns, rolled monthly. Inception date 1 July 2007. Downside capture shows if a strategy has outperformed a benchmark during periods of market weakness, and if so, by how much. Upside capture shows if a strategy has outperformed a benchmark during periods of market strength, and if so, by how much. This information is in addition to the GIPS Composite Report, found in the appendix of this presentation.

Consistent Outperformance > 9% per annum

Retail strategy – Magellan Global Fund



Retail strategy outperformed 9% pa objective by 2.9% per annum net of fees

Data as at 30 June 2021. Returns are for the Magellan Global Fund (Open Class) (Managed Fund) calculated based on exit prices with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable) and denoted in AUD. [#]The inception date of the is 1 July 2007.

Consistent Outperformance – Global Equity Strategy

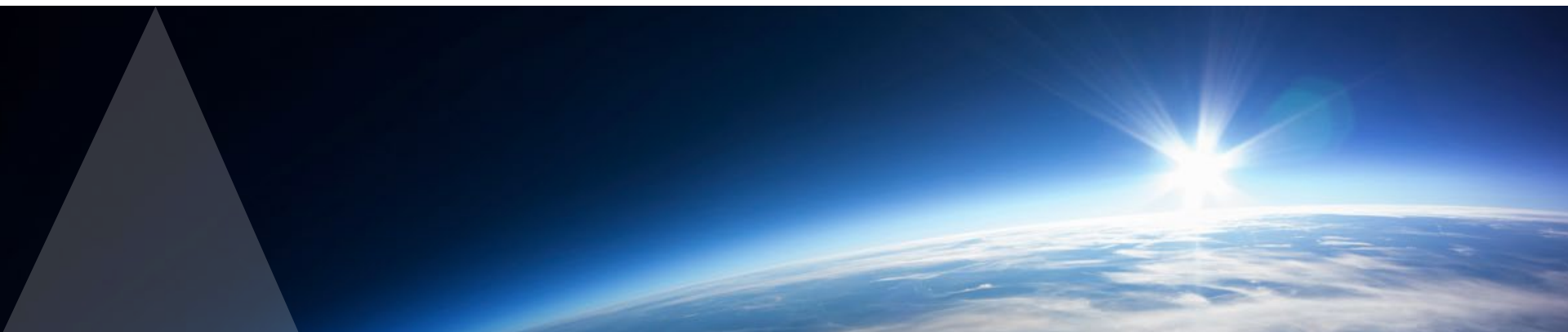
3 Year Rolling Returns since inception*	Before Fees ¹ USD	After max Institutional Fees (@ 0.80% p.a.) – USD ²	After retail fees AUD ³
Monthly Observations	133	133	133
Total Returns [Return v Objective]			
Observations > 10% p.a. (9% p.a. for retail) Frequency %	97 73%	89 67%	107 80%
Average return (p.a.)	14.4%	13.5%	14.4%
Average excess return vs 10% p.a. (9% p.a. for retail)	4.4%	3.5%	5.4%
Relative Returns [Return v Benchmark]			
Monthly observations > MSCI World Frequency %	133 100%	130 98%	117 88%
Average excess return (p.a.)	6.1%	5.2%	4.2%
Average relative return of underperforming observations (p.a.)	n/a	-0.5%	-0.4%

*3-year returns are calculated and rolled monthly, with the outperformance frequency indicating the percentage of positive excess returns since inception.

¹Returns are for the Global Equity Composite which represents the investment strategy and denoted in USD. Performance would vary if returns were denominated in a currency other than USD. The inception date is 1 July 2007 (inclusive).

²After fee returns have been reduced by the amount of the highest fee charged to any institutional client employing that strategy during the period under consideration. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Fees are available upon request.

³Returns are for the Magellan Global Fund calculated based on exit prices with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable) and denoted in AUD.



Q&A

Hamish Douglass, Chairman & CIO

Brett Cairns, Chief Executive Officer

Kirsten Morton, Chief Financial Officer

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