



**MAGELLAN**  
ASSET MANAGEMENT LIMITED

# Magellan High Conviction Trust

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## Interim Report

For the half year ended 31 December 2023

ABN 25 531 724 961

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# Chairman's Report

for the half year ended 31 December 2023

Dear Unitholders,

We are pleased to present the Interim Financial Report for Magellan High Conviction Trust (the "Fund") for the half year ended 31 December 2023. The Fund is a managed investment scheme for which Magellan Asset Management Limited ("MAM") acts as both Responsible Entity and Investment Manager.

The Fund is an open-ended active ETF quoted on the ASX under the AQUA Rules. As at 31 December 2023, the Fund had net assets of \$432 million and a net asset value of \$1.6437 per unit after providing for a distribution of 2.27 cents per unit for the six months to 31 December 2023.

The Fund's portfolio is actively managed by MAM and aims to achieve attractive risk-adjusted returns over the medium to long term for unitholders through investment in a concentrated portfolio. During the period, the Fund invested in a portfolio of between 10 and 20 high-quality global equity stocks, as assessed by MAM, and had the ability to manage equity market risk by holding up to 50% of its net assets in cash.

The Fund continues to be weighted towards MAM's highest conviction ideas and, in addition, reflects MAM's desire to:

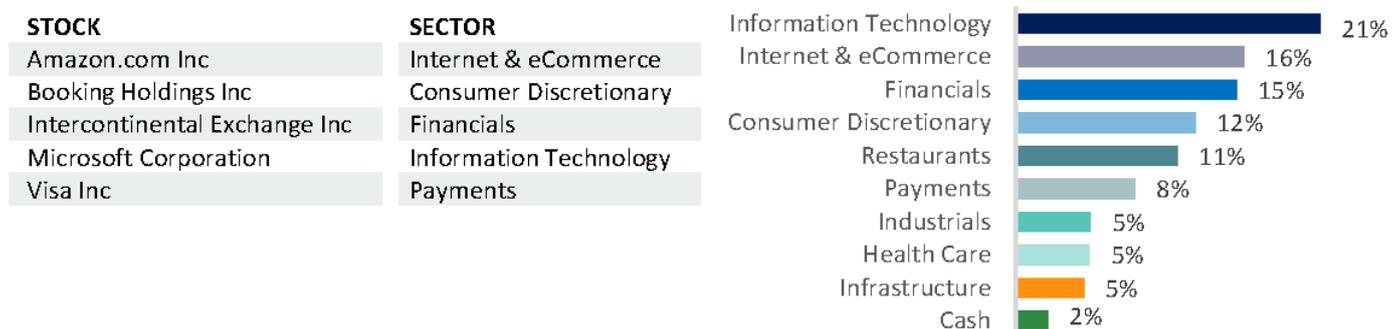
- invest in high-quality businesses having a smaller market capitalisation where potential returns may be greater;
- increase position sizing flexibility and portfolio balance;
- improve risk management and the diversification of common exposures; and
- enhance MAM's ability to respond to corporate actions undertaken by portfolio companies.

The Fund paid a cash distribution of 2.27 cents per in respect of the six months to 31 December 2023. This is consistent with MAM's stated intention to target a cash distribution yield of 3% per annum of the average of the month-end NAV per Unit over the two year rolling period ending on the last Business Day of the prior distribution period.

For the six and 12 months to 31 December 2023, the Fund returned 8.6% and 34.6%, net of fees, respectively. The Fund has delivered a return of 5.5% per annum net of fees since inception.

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

As at the 31 December 2023 Fund Update, the portfolio consisted of investments in 15 companies. The Fund's cash position was 2% of the portfolio which was predominantly held in US Dollars. The Fund's top five investments and its industry exposure by source of revenues are highlighted below.



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

**Robert Fraser**  
Chairman

Sydney, 28 February 2024

# Responsible Entity's Report

for the half year ended 31 December 2023

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Magellan High Conviction Trust (the "Fund") present their half year report on the Fund for the period ended 31 December 2023.

## 1. Directors

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

		Appointed	Resigned
Robert Fraser	Chairman	23 April 2014	
David Dixon	Deputy Chairman and Non-Executive Director	1 November 2022	
John Eales	Non-Executive Director	1 July 2017	
Andrew Formica	Executive Director <sup>1</sup>	26 July 2023	
Cathy Kovacs	Non-Executive Director	6 November 2023	
Hamish McLennan	Non-Executive Director	1 March 2016	
Deborah Page	Non-Executive Director	3 October 2023	
Colette Garnsey	Non-Executive Director	30 November 2020	8 November 2023
David George	Managing Director and Chief Executive Officer	19 July 2022	24 October 2023
Kirsten Morton	Chief Operating Officer and Chief Financial Officer	5 October 2018	3 July 2023

<sup>1</sup> Mr Formica was appointed Non-Executive Director on 26 July 2023 and subsequently appointed Executive Director on 25 October 2023.

Subsequent to balance date, it was announced on 15 February 2024 that Ms. Sophia Rahmani will join the MAM Board when she commences as Managing Director in May 2024.

## 2. Principal Activity

The Fund is a registered managed investment scheme, domiciled in Australia, with the principal place of business at Level 36, 25 Martin Place, Sydney, New South Wales, 2000 and quoted on the Australian Securities Exchange ("ASX") under the AQUA Rules (ticker code: MHHT).

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

The Fund's portfolio will typically comprise 10 to 20 investments and is weighted towards MAM's highest conviction ideas, as assessed by the Portfolio Managers. MAM seeks to invest in a focused portfolio of outstanding global companies and seeks to purchase investments when they are trading at a discount to MAM's assessment of their intrinsic value. MAM undertakes extensive fundamental analysis on the individual companies and the industries in which they operate.

While the Fund adopts a largely unhedged approach to foreign currency exposures arising from portfolio investments in foreign markets, the Fund retains the flexibility occasionally to utilise hedging to reduce the impact of foreign currency exposures associated with identified event risks.

The Fund's investment objective is to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy (as detailed in the Product Disclosure Statement ("PDS") issued on 27 November 2023).

## 3. Significant Changes in State of Affairs

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

# Responsible Entity's Report

for the half year ended 31 December 2023

## 4. Review of Financial Results and Operations

### 4.1. Financial Results for the Period

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

	31 Dec 2023	31 Dec 2022
<b>Results</b>		
Total net investment income/(loss) (\$'000)	<b>39,657</b>	4,480
Total expenses (\$'000)	<b>(3,599)</b>	(4,243)
<b>Profit/(Loss) (\$'000)</b>	<b>36,058</b>	237
<b>Distributions</b>		
Distribution paid and payable (\$'000)	<b>5,966</b>	8,525
Distribution paid and payable (CPU) <sup>1</sup>	<b>2.27</b>	2.44
<b>Unit Price (NAV per Unit) (\$)<sup>2</sup></b>	<b>1.6437</b>	1.2568
<b>ASX Reported NAV per Unit (\$)<sup>3</sup></b>	<b>1.6665<sup>4</sup></b>	1.2813 <sup>5</sup>

<sup>1</sup> Cents per unit.

<sup>2</sup> The Net Asset Value ("NAV") per unit represents the net assets of the Fund shown in the Statement of Financial Position at balance date divided by the number of units on issue at balance date (refer Note 6 to the Financial Statements).

<sup>3</sup> The NAV per unit reported to the ASX will differ to the NAV per unit at balance date due to distributions payable and fee accruals.

<sup>4</sup> ASX reported NAV per unit as at 29 December 2023 being the last business day of the period.

<sup>5</sup> ASX reported NAV per unit as at 30 December 2022 being the last business day of the period.

The final distribution for the year ended 30 June 2023 of 2.34 cents per unit amounting to \$6,847,000 was paid on 21 July 2023.

### 4.2. Total Indirect Cost Ratio

The Total Indirect Cost Ratio ("ICR") is the ratio of the Fund's actual management costs over the average portfolio value expressed as a percentage. Management costs, accrued within the Fund's unit prices on a daily basis, include management and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

	6 Months to 31 Dec 2023 %	12 Months to 31 Dec 2023 %	6 Months to 31 Dec 2022 %	12 Months to 31 Dec 2022 %
Management fee	<b>0.76</b>	<b>1.50</b>	0.76	1.50
Performance fee <sup>1</sup>	-	-	-	-
<b>Total Indirect Cost Ratio</b>	<b>0.76</b>	<b>1.50</b>	0.76	1.50

<sup>1</sup> Performance fees are calculated on six monthly measurement periods ending on 30 June and 31 December of each calendar year. The Performance fee component of the ICR is calculated on an accrual basis for each measurement period.

### 4.3. Performance Returns

The performance returns have been calculated using the redemption price of the Fund, which is after fees and expenses, assuming the reinvestment of distributions. The returns are calculated daily, compounded to produce longer period returns.

	6 Months to 31 Dec 2023 %	12 Months to 31 Dec 2023 %	6 Months to 31 Dec 2022 %	12 Months to 31 Dec 2022 %
Growth return <sup>1</sup>	<b>7.1</b>	<b>30.8</b>	(2.4)	(30.4)
Distribution return <sup>2</sup>	<b>1.5</b>	<b>3.8</b>	1.9	2.7
<b>Total Return<sup>3</sup></b>	<b>8.6</b>	<b>34.6</b>	(0.5)	(27.7)

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

<sup>2</sup> The Distribution return is calculated as a percentage by subtracting the Growth return from the Total Return.

<sup>3</sup> The Total return is calculated daily as a percentage by dividing the unit price (cum-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Total returns are then compounded to produce longer period returns.

# Responsible Entity's Report

for the half year ended 31 December 2023

## 5. Strategy and Future Outlook

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

The Fund provides daily unit prices, monthly fund updates, quarterly portfolio disclosures and annual investor reports, which can be found in the 'Funds' section of the Magellan Financial Group Limited ("MFG") website, [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website. Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

## 6. Interest in the Fund

The movement in units on issue in the Fund is disclosed in Note 4 to the Financial Statements.

## 7. Likely Developments and Expected Results of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the PDS.

The method of operating the Fund is not expected to change in the foreseeable future. However, the results of the Fund's operations may be affected by a number of factors, including the performance of investment markets in which the Fund invests.

## 8. Subsequent Events

NAV moves as a result of a number of factors including movements in asset prices, exchange rates and unitholder subscriptions and redemptions. Asset prices move daily and intraday indicative NAV per unit and daily NAV per unit are available on the MFG website [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website. Subsequent to balance date, as at 23 February 2024, the Fund had a NAV per unit of \$1.8376 with net asset value of \$467,315,000 and 254,306,000 units.

Other than the above and items disclosed throughout the Responsible Entity's Report, there have been no matters or circumstances arising after the end of the period that have significantly affected, or may significantly affect, the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial periods.

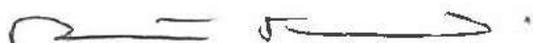
## 9. Rounding of Amounts

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

## 10. Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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



**Robert Fraser**

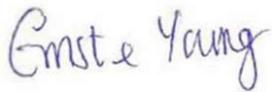
Chairman

Sydney, 28 February 2024

## **Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as Responsible Entity for Magellan High Conviction Trust**

As lead auditor for the review of the interim financial report of Magellan High Conviction Trust for the half-year period ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.



**Ernst & Young**



**Clare Sporle**

Partner

Sydney, 28 February 2024

# Statement of Profit or Loss and Comprehensive Income

for the half year ended 31 December 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<b>Investment Income</b>			
Dividend and distribution income		2,244	1,354
Interest income		244	357
Net change in fair value of investments		37,277	1,709
Net gains/(losses) on foreign exchange settlements, derivative contracts and cash		(108)	1,060
<b>Total Net Investment Income/(Loss)</b>		<b>39,657</b>	<b>4,480</b>
<b>Expenses</b>			
Management fees		3,315	3,830
Withholding tax on dividends and distributions		268	203
Transaction costs		16	210
<b>Total Expenses</b>		<b>3,599</b>	<b>4,243</b>
<b>Profit/(Loss)</b>		<b>36,058</b>	<b>237</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income/(Loss)</b>		<b>36,058</b>	<b>237</b>
<b>Basic Earnings Per Unit (Cents)</b>	5	<b>13.03</b>	0.06
<b>Diluted Earnings Per Unit (Cents)</b>	5	<b>13.03</b>	0.06

The above Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the accompanying Notes to the Financial Statements.

# Statement of Financial Position

as at 31 December 2023

	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<b>Assets</b>			
Cash and cash equivalents		9,938	8,902
Receivables		251	3,997
Investments	3	428,567	444,713
<b>Total Assets</b>		<b>438,756</b>	457,612
<b>Liabilities</b>			
Distributions payable	2	5,966	6,847
Payables		784	1,852
<b>Total Liabilities</b>		<b>6,750</b>	8,699
<b>Total Unitholders' Equity</b>		<b>432,006</b>	448,913

The above Statement of Financial Position should be read in conjunction with the accompanying Notes to the Financial Statements.

# Statement of Changes in Equity

for the half year ended 31 December 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<b>Total Unitholders' Equity at the beginning of the Period</b>		<b>448,913</b>	522,741
<b>Transactions with Unitholders in their Capacity as Owners:</b>			
Units issued		-	51
Units issued under Distribution Reinvestment Plan	2	<b>1,595</b>	2,260
Units redeemed		<b>(48,594)</b>	(77,636)
Distributions paid and payable	2	<b>(5,966)</b>	(8,525)
<b>Total Transactions with Unitholders</b>		<b>(52,965)</b>	(83,850)
Profit/(loss)		<b>36,058</b>	237
Other comprehensive income		-	-
Total Comprehensive Income/(Loss)		<b>36,058</b>	237
<b>Total Unitholders' Equity at the end of the Period</b>		<b>432,006</b>	439,128

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

# Statement of Cash Flows

for the half year ended 31 December 2023

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<b>Cash Flows from Operating Activities</b>		
Dividends and distributions received (net of withholding tax)	1,959	1,160
Interest received	242	359
Management and performance fees paid	(3,298)	(3,860)
Transaction costs paid	(16)	(210)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>(1,113)</b>	<b>(2,551)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(64,809)	(216,821)
Proceeds from sale of investments	120,233	211,309
Net foreign exchange gain/(loss)	16	4,327
Net cash flows from settlement of forward foreign currency contracts	1,897	-
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>57,337</b>	<b>(1,185)</b>
<b>Cash Flows from Financing Activities</b>		
Receipts from issue of units	-	51
Payments for redemption of units	(49,667)	(77,861)
Distributions paid	(5,252)	(7,722)
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>(54,919)</b>	<b>(85,532)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>1,305</b>	<b>(89,268)</b>
Cash and cash equivalents at the beginning of the period	8,902	100,735
Effect of exchange rate fluctuations on cash and cash equivalents	(269)	(3,173)
<b>Cash and Cash Equivalents at the end of the Period</b>	<b>9,938</b>	<b>8,294</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Financial Statements.

# Notes to the Financial Statements

for the half year ended 31 December 2023

## Overview

The Magellan High Conviction Trust (the "Fund") is a registered managed investment scheme under the *Corporations Act 2001* and was admitted to trading status on the ASX under the AQUA Rules on 31 August 2021 (ticker code: MHHT). The Fund was registered on 16 July 2019 and in accordance with the Fund's Constitution, commenced on the date that the first unit was issued, which was 11 October 2019. The Fund terminates on the earlier of the time provided by the Fund's Constitution or by law.

MAM (ABN 31 120 593 946) is the Responsible Entity of the Fund.

This interim financial report was authorised for issue by the Directors of the Responsible Entity on 28 February 2024. The Directors have the power to amend and reissue this interim financial report.

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

## 1. Basis of Preparation

The condensed interim financial report is a general purpose financial report, presented in Australian Dollars, and has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001*, other mandatory professional reporting requirements and the Fund's Constitution.

The condensed interim financial report does not include all the information and disclosures normally included in the annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2023 Annual Report and any public announcements made during the period.

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

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

### 1.1. Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. The Fund has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective at balance date.

### 1.2. Critical Accounting Estimates and Judgements

The preparation of the Fund's financial statements required the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable. As a result, actual results could differ from those estimates.

Where listed equities have no active market, the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer Note 3). As all investments are valued with reference to the listed quoted prices and the Fund's cash is held at strongly rated financial institutions, the Fund's financial assets and liabilities are not subject to significant judgement or complexity.

# Notes to the Financial Statements

for the half year ended 31 December 2023

## 2. Distributions to Unitholders

Distributions for the periods ended 31 December are as follows:

	\$'000	CPU	Date Paid
<b>Period ended 31 December 2023</b>			
Prior year final distribution paid	<b>6,847</b>	<b>2.34</b>	<b>21 Jul 2023</b>
Interim distribution payable	<b>5,966</b>	<b>2.27</b>	<b>17 Jan 2024</b>

	\$'000	CPU	Date Paid
<b>Period ended 31 December 2022</b>			
Prior year final distribution paid	9,982	2.46	21 Jul 2022
Interim distribution payable	8,525	2.44	18 Jan 2023

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

On 5 January 2024, MAM announced the Target Cash Distribution for the Fund for the six month period ending 30 June 2024 will be 2.190 CPU.

### Distribution Reinvestment Plan

The Fund's Distribution Reinvestment Plan ("DRP") was available to eligible unitholders during the period.

Under the terms of the DRP, eligible unitholders are able to elect to reinvest all or part of their cash distributions in additional units in the Fund, free of any brokerage or other transaction costs. Units are issued and/or transferred to DRP participants at a price that is determined by MAM in accordance with the DRP Rules.

DRP details are as follows:

	<b>31 Dec 2023 Interim Distribution</b>	<b>30 Jun 2023 Final Distribution</b>	<b>31 Dec 2022 Interim Distribution</b>	<b>30 Jun 2022 Final Distribution</b>
DRP issue price (\$)	<b>1.6438</b>	1.5342	1.2569	1.2882
DRP unitholder participation rate (%)	<b>23.07</b>	23.30	23.15	22.64
Number of units issued under DRP	<b>837,119</b>	1,039,911	1,570,551	1,754,277
Value of ordinary issued under DRP (\$'000)	<b>1,376</b>	1,595	1,974	2,260
DRP issue date	<b>17 Jan 2024</b>	21 Jul 2023	18 Jan 2023	21 Jul 2022

# Notes to the Financial Statements

for the half year ended 31 December 2023

## 3. Investments and Derivatives

The Fund classifies its equity securities, derivative assets and derivative liabilities as financial assets and liabilities at fair value through profit or loss.

The Fund discloses the fair value measurements of financial assets and financial liabilities using a three-level fair value hierarchy to reflect the source of valuation inputs used when determining the fair value as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing price for the security as quoted on the relevant exchange.
- Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices). The fair value of derivatives is based on a discounted cash flow analysis using quoted market inputs (spot and forward rates, volatility) adjusted for specific features of the instruments and applied debit and credit valuation adjustments based on the Fund's, or the derivative counterparties' current credit worthiness.
- Level 3: valuation techniques using non-market observable inputs.

The equity securities, including stock exchange domicile, held by the Fund are:

	Domicile	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<b>Investments (Level 1)</b>			
Microsoft	United States	42,345	47,105
Intercontinental Exchange	United States	41,399	42,459
Amazon.com	United States	39,855	40,437
Visa - Class A	United States	35,785	43,043
Booking Holdings	United States	31,196	36,230
Alphabet - Class C	United States	28,433	30,844
ASML Holding	Netherlands	27,239	-
Yum! Brands	United States	25,258	36,832
Brookfield	Canada	24,582	19,319
Chipotle Mexican Grill	United States	23,173	18,911
Safran	France	22,634	23,643
Lowe's Companies	United States	22,498	33,261
HCA Healthcare	United States	22,224	-
Salesforce	United States	21,400	19,906
WEC Energy Group	United States	20,546	22,080
Diageo	United Kingdom	-	30,643
<b>Total Investments</b>		<b>428,567</b>	<b>444,713</b>

The Fund does not hold any level 2 or 3 financial assets or liabilities. There have been no transfers between any of the three levels in the hierarchy during the period and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at balance date.

# Notes to the Financial Statements

for the half year ended 31 December 2023

## 4. Unitholders' Equity

	Note	6 Months to 31 Dec 2023 No. of Units '000	12 Months to 30 Jun 2023 No. of Units '000
<b>Units on Issue</b>			
Opening balance		292,613	405,789
Units issued		-	230
Units issued under DRP	2	1,040	3,325
Units redeemed		(30,821)	(116,731)
<b>Units on Issue at the end of the Period</b>		<b>262,832</b>	<b>292,613</b>

### Entering and exiting the Fund

Investors can enter or exit the Fund via buying/selling units on the ASX or by applications/withdrawals direct to/from the Responsible Entity. The method of entry into the Fund does not affect the method of exit from the Fund. The entry and exit price received and investment minimums are set out in the Fund's PDS that can be found in the 'Funds' section of the MFG website, [www.magellangroup.com.au](http://www.magellangroup.com.au)

### Units

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

Each unit confers upon the unitholder an equal interest in the Fund, and is of equal value to other units in the Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Fund. The rights of unitholders are contained in the Fund's Constitution and include:

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

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

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

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

# Notes to the Financial Statements

for the half year ended 31 December 2023

## 5. Earnings per Unit

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

	31 Dec 2023	31 Dec 2022
<b>Basic EPU</b>		
Profit/(loss) attributable to unitholders (\$'000)	<b>36,058</b>	237
Weighted average number of units for basic EPU ('000)	<b>276,722</b>	378,595
<b>Basic EPU (Cents)</b>	<b>13.03</b>	0.06
<b>Diluted EPU</b>		
Profit/(loss) attributable to unitholders (\$'000)	<b>36,058</b>	237
Weighted average number of units for diluted EPU ('000)	<b>276,722</b>	378,595
<b>Diluted EPU (Cents)</b>	<b>13.03</b>	0.06
<b>Earnings Reconciliation</b>		
Profit/(loss) used in the calculation of basic and diluted EPU (\$'000)	<b>36,058</b>	237

As the Fund has no potential dilutive units, basic and diluted EPU are equal. Since the end of the period, the Fund has issued units under the DRP (refer Note 2).

## 6. Net Asset Value per Unit

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

	31 Dec 2023	30 Jun 2023
	\$	\$
NAV per unit	<b>1.6437</b>	1.5342

The NAV per unit at balance date may differ from the NAV per unit reported to the ASX due to distributions payable and fee accruals.

NAV moves as a result of a number of factors including movements in asset prices, exchange rates and unitholder subscriptions and redemptions. Asset prices move daily and intraday indicative NAV per unit and daily NAV per unit are available on the MFG website and also the ASX website. Subsequent to balance date, as at 23 February 2024, the Fund had a NAV per unit of \$1.8376 with net asset value of \$467,315,000 and 254,306,000 units.

## 7. Segment Information

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

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

## 8. Contingent Assets, Contingent Liabilities and Commitments

At balance date, the Fund has no contingent assets, liabilities or commitments (June 2023: nil).

# Notes to the Financial Statements

for the half year ended 31 December 2023

## 9. Subsequent Events

Subsequent to balance date, it was announced on 15 February 2024 that Ms. Sophia Rahmani will join the MAM Board when she commences as Managing Director in May 2024.

Other than the above and items disclosed throughout this interim financial report, there have been no matters or circumstances arising after the end of the period that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future financial periods.

# Directors' Declaration

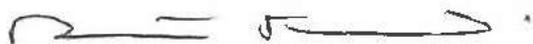
for the half year ended 31 December 2023

In the Directors' opinion,

- a. the Financial Statements and Notes set out on pages 8 to 17 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the financial position of the Fund as at 31 December 2023 and of its performance as represented by the results of its operations and cash flows for the period ended on that date; and
  - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- b. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

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



**Robert Fraser**  
Chairman

Sydney, 28 February 2024

## Independent auditor's review report to the unitholders of Magellan High Conviction Trust

### Conclusion

We have reviewed the accompanying interim financial report of Magellan High Conviction Trust (the "Fund"), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and comprehensive income, the statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Fund does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

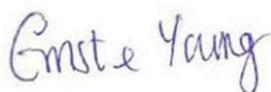
### Directors' responsibilities for the interim financial report

The directors of the Responsible Entity are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's responsibilities for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



**Ernst & Young**



**Clare Sporle**

Partner

Sydney, 28 February 2024

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# Corporate Information

## Directors

Robert Fraser - Chairman  
David Dixon - Deputy Chairman  
John Eales AM  
Andrew Formica  
Cathy Kovacs  
Hamish McLennan  
Deborah Page AM

## Company Secretary of the Responsible Entity

Marcia Venegas

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## Auditor

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