

Magellan Financial Group Limited

Interim Report

For the half year ended 31 December 2023

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The interim financial report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with Magellan Financial Group Limited's ("MFG") most recent annual financial report available at www.magellangroup.com.au. MFG has also released information to the Australian Securities Exchange ("ASX") in compliance with the continuous disclosure requirements of the ASX Listing Rules and these announcements are available at www.asx.com.au (MFG's ASX code: MFG).

Executive Chairman's Interim Letter

For the half year ended 31 December 2023

Dear Shareholder,

I am writing to update you on Magellan's strategic progress, direction, capital management and financial performance for the six months ended 31 December 2023. I joined the business as Chair in August 2023 and then became Executive Chair in October 2023. During this period, I have focused on restoring corporate stability and resolving legacy issues in order to rebuild and restore growth to the business. With the progress made so far, I am confident that we are now in a strong position to deliver positive outcomes to you, our shareholders. I thank you for continuously supporting the Board, our people and myself.

STRATEGIC UPDATE

The last six months have been crucial in restoring stability to the business and strengthening relationships with our clients after a turbulent period following leadership changes in early 2022. Most notably, we resolved two legacy issues that were hindering the business' ability to rebuild: the staff loans for existing staff and the uncertainty surrounding the Magellan Global Fund (Closed Class) (MGF). As I conveyed at our AGM in November 2023, putting our staff and clients first is critical to the delivery of positive outcomes to you, the shareholders. As such, solving these two issues was a primary focus for me and the team. I will delve into these in more detail, however, I would like to take this opportunity to thank you specifically for the support the Board and I have received from you during this period in addressing these matters. I believe resolving these two legacy issues, together with the leadership changes announced today, will allow the business to move forward and will drive long term positive outcomes for shareholders.

Today we announced the expansion of the executive team and expertise in the business through the appointment of Sophia Rahmani to the role of Managing Director of Magellan's main operating subsidiary, Magellan Asset Management Limited (MAM). Sophia will join us in May 2024 and brings to the business a deep understanding of the funds management industry. I will remain Executive Chair for a transitional period to ensure continuity and stability, focusing my attention on Magellan's strategic development, while Sophia focuses on our existing funds management business. It is intended that Sophia will be appointed to the role of Chief Executive Officer of Magellan Financial Group Ltd within 12 months of her commencement. Sophia will be instrumental in restoring growth and rebuilding the business, and having worked with Sophia previously, I am confident that she will succeed and deliver positive outcomes for shareholders over what I hope will be a rewarding and long career for her at Magellan.

The new executive leadership structure is fundamental to maintaining the stability for staff, clients and shareholders achieved by resolving the legacy issues I mentioned above. Firstly, we addressed the concern and distraction amongst our employees in relation to the outstanding Employee Share Purchase Plan (ESPP) loans. In October 2023, we announced additional retention payments to current employees with outstanding loans which will close these loans out for the vast majority of staff by September 2025, substantially resolving the anxiety and stress these loans were causing. The total loan balance of current employees was reduced by 35% during the first half of the year, which is pleasing, and we will see this decrease significantly again in September 2024. I am confident this initiative, which removes the uncertainty surrounding these loans, is no longer a distraction which is important for restoring a high performing and positive environment for our staff. Secondly, we also addressed the uncertainty around the Magellan Global Fund (Closed Class) (MGF) with Magellan acquiring 750 million MGF Options, reducing the financial liability on our balance sheet, providing value to clients and preventing potential future instability within our business. This, together with MAM's announcement of its intention to convert MGF into the Magellan Global Fund (Open Class), reaffirms Magellan's client-first approach, and was well received by our clients, strengthening client relationships as a result.

Investment performance is critical to restoring growth to the business and I am pleased to say we are continuing to see signs of improvement in investment performance across our Global Equities and Infrastructure strategies. Airlie's Australian Equities strategy (Airlie) continued its strong outperformance against its benchmark again this half. As at 31 January 2024, all three of our flagship strategies, Global Equities, Infrastructure and Airlie, were outperforming their benchmarks over six months, 12 months and since inception, with Airlie also outperforming its benchmark over 3 years and 5 years. These performance trends are promising, and we have seen a reduction in the quantum of FUM outflows in recent months as a result, with two positive months of net positive inflows from institutional clients during the period. Later this financial year, we will launch our Magellan Unconstrained Fund to retail investors. This is a global equities strategy managed by Portfolio Manager, Alan Pullen. This strategy was incubated on platform in 2022 and has a strong 2-year investment performance track record. It is a complementary offering to our existing Global Equities strategy with a key difference being it is unconstrained from the risk ratio constraints of our more defensive existing Global Equities Strategy. Our new Magellan Unconstrained Fund will provide our retail clients with optionality depending on their personal investment objectives and needs, which is a key objective of Magellan. We also continue to work on the conversion of the Magellan Global Fund (Closed Class) into the Magellan Global Fund (Open Class) with regulatory engagement commenced.

During this period, we continued to focus on strategic initiatives to create more cohesion across the business and rebuild. The first of these is our US distribution platform to which we have appointed new leadership with a view to leveraging our existing infrastructure and relationships to develop a multi-boutique business in the US, which will invest in and distribute strategies of a diversified group of asset managers. The US market is a significant growth opportunity for Magellan and with new leadership and our plans to bolster

Executive Chairman's Interim Letter

For the half year ended 31 December 2023

our distribution efforts and products globally, it is expected to be a key driver of Magellan's future growth. Internally, we created a Strategic Product Committee which brings together the leadership across the business to ensure new and existing strategies are receiving the right resources and senior management support, and to enable efficient decision-making on the future direction and structure of our strategies and product offerings. At our AGM, I discussed the important role technology will have on our sector and our business. Since then, we have established an Artificial Intelligence (AI) working group which has been charged with finding and implementing the right AI tools for our investment team that will facilitate better processes and decisions and thus outcomes. In time, we see this expanding into tools and methods that we will implement across our distribution and operational functions, with a view towards enhancing productivity across the business.

On people, I am pleased to inform you that we have appointed Arvid Streimann, our co-PM on the Magellan Global Fund, as the Head of Global Equities. Having joined Magellan's Investment Team nearly 10 years ago, Arvid became Head of Macro in 2017 and was promoted to co-PM of the Magellan Global Fund in 2020. In this new role, Arvid will retain his portfolio management responsibilities and oversee the global equities team. We're pleased to have also seen a number of other internal promotions across the business, demonstrating the strength of the team and the high-quality talent embedded within our business. From a people perspective, our objectives for the second half of the year are to launch our new Employee Equity Plan which will align staff to business and shareholder outcomes and deliver targeted engagement activities for our employees to ensure continued improvement in employee engagement and satisfaction. Employee engagement scores in our recent employee pulse survey reflected the challenges our employees have faced over the past two years and identified a number of opportunities for the business to improve. We are seeing momentum on this front, with employee feedback suggesting recent leadership changes and resolutions to the ESPP have been well received. Nevertheless, improving employee engagement and delivering a strong employee value proposition for our people is critical for the success of our business and something that is top of mind for the Board and executive team.

Today, we outlined in our 1H24 Investor Presentation our capital management philosophy and capital requirements for the business going forward. Magellan's strong balance sheet has provided protection against the challenges faced by the Group in recent years, and is valued by asset managers when they consider joining the Magellan stable. Our long-term capital management philosophy demonstrates strength and protection for our business whilst also allowing us to pay dividends to shareholders, reinvest in the business in areas of growth, such as our US business and new product launches, and to execute on strategic initiatives to diversify the business.

We continue to assess strategic growth opportunities that are accretive to Magellan and its shareholders, and Magellan remains an attractive partner to asset managers due to its strong client relationships and reach, balance sheet and innovative culture. As we look at these opportunities, we remain open to different ownership structures, recognising the benefits of wholly acquiring boutiques, such as replicating the success we have seen with Airlie, but also of acquiring controlling or minority stakes and the alignment this brings. The latter allows established asset managers to retain their corporate ethos and culture which is different for each manager and important to nurture for continued success.

In the second half of the financial year, our focus will be on strengthening client relationships by building and offering a diversified suite of performing products to meet our clients' investment objectives, finding ways to engage and create a better experience for staff which includes giving them the tools to excel at their roles, such as AI, and continuing to focus on executing on our long-term strategic objective to deliver long-term value for our clients and shareholders.

1H24 FINANCIAL PERFORMANCE

From a financial performance perspective, we remain a profitable fund manager of scale.

At 31 December 2023, we had \$35.8 billion of Funds under Management (FUM). Our FUM remains well-balanced across our client base, with approximately 47% of our total FUM (or \$16.7 billion) derived from retail clients and the remaining 53% (or \$19.1 billion) representing institutional clients.

Our two largest strategies remain our Global Equities and Infrastructure strategies, with total FUM of \$14.9 billion and \$15.8 billion respectively and our Airlie business continues to gain momentum, seeing growth during the half as a result of Airlie's ongoing strong outperformance of its benchmark, growing its FUM to \$5.1 billion as at 31 December 2023.

As mentioned above, I am pleased to note that if we look at the trajectory of net flows over the past two years, it is clear we are seeing stabilisation in recent quarters as net outflows moderate and even modestly reverse with positive institutional inflows in recent months. As we have said previously, the biggest driver of net flows into our strategies is investment performance, which remains a key focus for our Investment teams. Our progress in delivering improved investment performance and restoring stability at the corporate level has meant that we are seeing client confidence improving, an important step in returning growth to Magellan.

Executive Chairman's Interim Letter

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These FUM and flow outcomes saw our funds management business deliver **Profit Before Tax and Performance Fees** of \$79.9 million in the half, down 33% on 1H23, driven mainly by the 31% reduction in average funds under management over the period. We continued to manage expenses tightly, with our **Funds Management Business Operating Expenses** reducing to \$51.3 million in the half, down 18% on 1H23, and tracking in line with our 2024 full year guidance of \$97.5 million to \$102.5 million.

On a Group basis, we reported **Adjusted Net Profit after Tax** of \$93.5 million, down 5% on the prior corresponding period.

These financial results demonstrate that Magellan continues to be highly profitable and has the requisite strong foundations upon which we can rebuild. As noted, our significant financial strength through our robust balance sheet provides us with strategic flexibility and optionality, and the ability to implement strategic initiatives that can put us back on the path to growth.

Finally, turning to dividends. In respect of the six months to 31 December 2023, the Board has declared an **Interim Dividend** of 29.4 cents per share, franked at 50%. With a strong balance sheet, robust cashflows and ongoing profitability, we remain well positioned to continue to pay 90% to 95% of the profits from our funds management business as dividends, consistent with our current policy, and to continue to prudently invest in our business for growth.

CONCLUDING REMARKS

As I mentioned at the outset, we are making significant progress on the path to rebuilding Magellan. With legacy issues now behind us, and a transitional executive leadership structure in place, I believe we are in a better position to move forward and execute our strategic objective to become the asset manager of choice in the Australian market across a diversified offering. I am confident our strong foundations ideally position us to deliver on our objective and positive outcomes for our clients and shareholders.

I would like to thank you again for your support of Magellan and look forward to updating you on our ongoing progress at our full year results in August 2024.



Andrew Formica
Executive Chairman

15 February 2024

Performance Overview

For the half year ended 31 December 2023

Overview of Results

Magellan Financial Group Ltd ("Magellan" or the "Group") is a specialist asset manager that has three primary investment strategies:

- Global Equities;
- Infrastructure Equities; and
- Australian Equities (via Airlie Funds Management).

Assets are managed on behalf of:

- retail investors in Australia and New Zealand; and
- institutional investors located in Australia and around the world.

The Group's Funds Management segment is the core business and the main driver of the Group's revenues, profitability and therefore, dividends paid to shareholders. Funds under management ("FUM") is the primary driver of the Group's revenues as it determines the level of management fees earned by the Group.

The Group's financial performance for the half year ended 31 December 2023 reflects a restoration of stability to the business and with our clients.

FUM was \$35.8 billion as at 31 December 2023, representing a slower rate of decline compared to recent periods as outflows moderated across both retail and institutional clients. **Average FUM** for the half year was down 31% to \$36.9 billion (1H23: \$53.8 billion).

The Group's **statutory net profit after tax** for the six months ended 31 December 2023 was \$104.1 million (1H23: \$83.8 million).

The Group's **adjusted net profit after tax** for the six months ended 31 December 2023 was \$93.5 million (1H23: \$98.3 million). **Adjusted earnings per share** was 51.6 cents per share (1H23: 53.6 cents per share).

The Group believes adjusted net profit after tax provides meaningful information about the performance of the business, particularly in comparative analysis. Adjusted financial measures for the period exclude:

- non-cash amortisation expense of \$0.7 million;
- net unrealised losses from the Fund Investments segment of \$15.9 million (net of tax: \$11.1 million);
- net non-cash remeasurement of share purchase loans of \$1.7 million;
- non-cash employee share option expense of \$1.5 million;
- gain on dilutions and disposal of associates of \$0.1 million (net of tax: \$0.1 million);
- transaction costs related to strategic initiatives of \$0.1 million (net of tax: \$0.1 million); and
- net benefit related to strategic initiatives of \$31.6 million (net of tax: \$22.1 million), which reflects changes in the fair value of Magellan's liability to fund the 7.5% exercise discount in respect of the options over the Magellan Global Fund Closed Class Units ("MGF Options") and the cost of the on-market purchase of MGF Options by the Group.

Profit before tax and performance fees from the Group's Funds Management business was \$79.9 million (1H23: \$119.9 million).

Fund Investments made a gain of \$28.0 million before tax. This primarily comprised dividend and distribution income of \$6.0 million and realised capital gains of \$37.8 million, which were partially offset by net unrealised capital losses of \$15.9 million. Earnings from dividends and distributions and realised capital gains/losses are included in other revenue in the table on the next page.

The Group's share of the after-tax profits incurred by associate investments was \$3.1 million (1H23: after-tax losses of \$8.1 million).

The Directors have declared an Interim Dividend of 29.4 cents per share in respect of the half year ended 31 December 2023, 50% franked. The Interim Dividend will be paid on 6 March 2024.

The Group's policy is to pay Interim and Final Dividends of 90% to 95% of the net profit after tax of the Group's Funds Management business excluding performance fees. This remained unchanged for the half year ended 31 December 2023. Net profit after tax of the Funds Management business excludes amortisation of intangibles, expenses/benefits related to strategic initiatives and gains/losses from non-cash remeasurements.

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For the half year ended 31 December 2023

In addition to the Interim and Final Dividends, the Group will pay an annual Performance Fee Dividend of 90% to 95% of the net crystallised performance fees after tax. Any Performance Fee Dividend will be paid annually alongside the Final Dividend.

The Board has a policy of paying out franking credits to the maximum extent possible over time, however, the level of franking attached to dividends may vary from period to period. The franking rate applied of 50% to the Interim Dividend has been determined having regard to the franking credits that are expected to be available to the Group. The reduction in the franking rate for the half year ended 31 December 2023 is due to the expected impact of the on-market purchase of MGF Options by the Group.

The payment of dividends by the Group will be subject to corporate, legal and regulatory considerations.

The following table summarises the Group's profitability over the past two December half year periods¹:

	31 Dec 2023 \$'000	31 Dec 2022 \$'000	Change %
Management and services fees	130,303	181,068	(28%)
Performance fees	90	105	(14%)
Other revenue and income	52,368	27,613	90%
Adjusted revenue and other income	182,761	208,786	(12%)
Adjusted expenses	(53,864)	(64,807)	(17%)
Adjusted net profit before tax	128,897	143,979	(10%)
Adjusted tax expense	(38,431)	(37,564)	2%
Adjusted net profit after tax and before associates	90,466	106,415	(15%)
Share of after tax profit/(loss) of associates ¹	3,061	(8,070)	nm
Adjusted net profit after tax	93,527	98,345	(5%)
Net benefit/(expense) related to Magellan Global Fund options ²	22,099	(2,382)	nm
Transaction costs related to strategic initiatives	(81)	(1)	nm
Amortisation of intangible assets	(707)	(2,345)	nm
Net non-cash remeasurement of share purchase loans	1,749	(923)	nm
Non-cash employee share option expense	(1,475)	(2,042)	nm
Net unrealised change in fair value of financial assets and liabilities	(11,108)	(6,896)	nm
Gain on dilutions and disposals of associates	54	-	nm
Total non-IFRS adjustments after tax	10,531	(14,589)	
Statutory net profit after tax	104,058	83,756	24%
Key statistics			
Diluted earnings per share (cents per share)	57.4	45.6	26%
Adjusted diluted earnings per share (cents per share)	51.6	53.6	(4%)
Interim dividend (cents per share)	29.4	46.9	(37%)

¹ Share of after-tax profit/(loss) of associates of \$2.8 million adjusted for a tax benefit on undistributed associate profit of \$0.2 million. A reconciliation to the reported statutory net profit is outlined in section 3.1 of the Directors' Report.

² Reflects the change in value of the obligation associated with the Magellan Global Fund ('MGF') Options issued under the MGF Partnership Offer and Bonus MGF Option Issue and, for the period ended 31 December 2023, also includes the cost of the on-market purchase of MGF Options ("MGFO") by the Group and related transaction costs.

Funds Management Segment

As at 31 December 2023, the Group's Funds Management business had FUM of \$35.8 billion. This segment is Magellan's core business and the driver of the Group's revenues, profitability, and therefore, dividends paid to shareholders.

¹ Adjusted financial measures are adjusted for strategic, non-recurring, non-cash or unrealised items to provide additional meaningful information (refer to section 3.1 of the Directors' Report and note 2 in the financial statements for the breakdown of these items).

Performance Overview

For the half year ended 31 December 2023

For the six months ended 31 December 2023, the Funds Management segment profit before tax was \$79.9 million (1H23: \$120.0 million). The Funds Management segment profit excludes amortisation of intangibles, expenses/benefits related to strategic initiatives, gains/losses from non-cash remeasurements and non-cash expenses related to the employee share option plan.

The following table summarises the profitability of the Funds Management segment for the six months ended 31 December 2023 compared with the prior corresponding period:

	31 Dec 2023 \$'000	31 Dec 2022 \$'000	Change %
Revenue			
Management fees	129,703	179,068	(28%)
Performance fees	90	105	(14%)
Services fees	600	2,000	(70%)
Interest and other revenue	850	1,295	(34%)
	131,243	182,468	(28%)
Expenses			
Employee expenses	34,067	45,486	(25%)
Fund administration and operational costs	6,969	7,996	(13%)
Information technology and data	4,702	4,348	8%
Marketing	863	926	(7%)
Other expenses	4,694	3,671	28%
	51,295	62,427	(18%)
Net profit before tax	79,948	120,041	(33%)
Net profit before tax and performance fees¹	79,858	119,937	(33%)
Key statistics			
Average funds under management (\$ million)	36,885	53,776	(31%)
Average AUD/USD exchange rate	0.6536	0.6706	(3%)
Average number of employees	111	128	(13%)
Employee expenses / total expenses	66.4%	72.9%	
Cost / income	39.1%	34.2%	
Cost / income, excl. performance fees ¹	39.1%	34.2%	

¹ Adjusted for the current period performance fee impact on revenue and expenses for the six month period.

Revenues

The primary component of the Group's revenues is management fees, which are based on FUM.

Revenues for the half year decreased by 28% to \$131.2 million. This was driven by a 28% decrease in total management fee revenue, as a result of a 31% decrease in average FUM over the period. Performance fees before tax for the half year of \$0.1 million were not meaningful (1H23: \$0.1 million). Performance fees can, and very often do, vary significantly from period to period.

Expenses

Funds Management segment expenses reduced by 18% from the prior corresponding period to \$51.3 million reflecting disciplined cost management and are tracking in line with our 2024 full year guidance of \$97.5 million to \$102.5 million.

Employee expenses decreased by 25% to \$34.1 million and made up 66% of the operating expenses of the Funds Management segment in the year, compared with 73% in the prior corresponding period. Reduced employee expenses during the period reflects a reduction in the average number of employees across the business, partly as a result of the organisational realignment in October 2022, as well as lower staff cash retention payment expenses recognised in 1H24 compared to 1H23. As a fund manager, Magellan's business is heavily reliant on human capital and we continue to invest in our people to deliver excellence for our clients, which in turn will drive shareholder outcomes.

During the period, Magellan announced additional retention payments to current employees with outstanding Employee Share Purchase Plan Loans ('ESPP Loans') which has substantially resolved the concern and distraction the ESPP Loans were causing and will close out the ESPP Loans for the vast majority of staff by September 2025. The FY24 expense associated with these additional

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retention payments is approximately \$1.7 million and is reflected in the previously provided cost guidance of \$97.5 to \$102.5 million for funds management business expenses.

The Funds Management business cost to income ratio (excluding performance fees) was 39.1% (1H23: 34.2%). The increase to Magellan's cost to income ratio primarily reflects the decrease in revenue resulting from a reduction in FUM during the period partially offset by a decrease in expenses.

The Group continues to pay close attention to costs and has a disciplined cost management approach.

The following table sets out total employee numbers:

	31 Dec 2023	30 Jun 2023
Investment		
Portfolio Managers/Analysts	22	25
Dealers	3	3
	25	28
Distribution & Marketing	19	23
Other (including Finance, Risk & Compliance, Admin)	48	47
Frontier	6	8
Airlie	9	9
Total	107	115
Average number of employees	111	125

Funds Under Management

The following table sets out the composition of Magellan's FUM:

	31 Dec 2023	30 Jun 2023
Retail	16.7	18.4
Institutional	19.1	21.3
Total FUM (\$ billion)	35.8	39.7
Retail (%)	47%	46%
Institutional (%)	53%	54%
FUM subject to performance fees (%)	45%	47%
Breakdown of FUM		
Global equities	14.9	19.1
Infrastructure equities	15.8	16.1
Australian equities	5.1	4.5
Total FUM (\$ billion)	35.8	39.7
Average base management fee (bps) per annum excluding performance fees ¹	70	67

¹ Calculated as management fees (excluding performance and services fees) for the relevant period divided by the average of month end FUM over the same period.

As at 31 December 2023, the Group had FUM of \$35.8 billion, split between:

- Global Equities (42%);
- Infrastructure Equities (44%); and
- Australian Equities (14%).

This compares with FUM of \$39.7 billion at 30 June 2023. The decrease in FUM was driven by:

- net outflows of \$4.6 billion;

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- cash distributions paid (net of reinvestment) of approximately \$0.3 billion; offset by
- positive investment returns of approximately \$1.0 billion.

Investment performance remains critical to restoring growth to the business and the Group continued to see signs of improvement in investment performance across our Global Equities and Infrastructure strategies. Airlie's Australian Equities strategy continued to deliver strong outperformance against its benchmark during the half. As at 31 January 2024, all three of the Group's primary investment strategies, Global Equities, Infrastructure and Airlie, were outperforming their benchmarks over six months, 12 months and since inception, with Airlie also outperforming its benchmark over 3 years and 5 years. These performance trends are promising and have seen a moderation of FUM outflows in recent months as a result.

The following table sets out the drivers of FUM changes for each investment strategy:

FUM by strategy (\$ billions)	30 Jun 2023	1H24 Net Flows	Investment Performance	Distributions	31 Dec 2023
Global Equities	19.1	(4.5)	0.5	(0.2)	14.9
Infrastructure Equities	16.1	(0.3)	(0.0)	(0.1)	15.8
Australian Equities	4.5	0.1	0.5	(0.0)	5.1
Total¹	39.7	(4.6)	1.0	(0.3)	35.8

¹ May not add due to rounding

Set out in the table below is the investment performance since inception of the Group's three flagship funds the Magellan Global Fund, the Magellan Infrastructure Fund and the Airlie Australian Share Fund.

Investment Performance for the Period to 31 December 2023 ¹	6 months	1 Year	3 Years	5 Years	Since Inception
	%	%	% p.a.	% p.a.	% p.a. ²
Magellan Global Fund³	3.3	22.1	7.0	9.4	10.7
MSCI World NTR Index (\$A)	4.9	23.0	11.8	13.5	7.7
Magellan Infrastructure Fund	1.1	3.5	3.9	4.4	6.8
Infrastructure Benchmark (\$A) ⁴	0.8	3.4	6.0	5.6	5.1
Airlie Australian Share Fund	10.7	15.4	12.1	13.7	10.8
S&P/ASX 200 Accum. Index	7.6	12.4	9.2	10.3	8.4

¹ Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Annualised performance is denoted with "p.a." for the relevant period.

² Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007 and the inception date for the Airlie Australian Share Fund is 1 June 2018.

³ Performance for the Magellan Global Fund Open Class

⁴ The 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).

All three flagship funds have long-term investment horizons and have outperformed their relevant indices since inception. Magellan's investment philosophy remains unchanged, and Magellan continues to believe that investing in the world's best companies is a path to creating and protecting long term wealth.

The **Global Equities Strategy** has driven the majority of outflows in the half year period with \$4.5 billion of net outflows. Pleasingly, the fund has demonstrated continued signs of improvement in investment performance adding approximately \$0.5 billion in FUM from investment returns during the half and as at 31 January 2024, the Global Fund is outperforming the benchmark over six months, one year, and since inception.

Magellan's **Infrastructure Equities Strategy** remains a highly regarded offering globally with a strong long-term performance track record since inception and is now the Group's largest strategy with FUM of \$15.8 billion as at 31 December 2023. Led by a highly competent management team, the strategy has delivered improved performance with net outflows of \$0.3 billion in the half, with broadly flat investment returns.

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The **Airlie Australian Share Fund** (ASX: AASF / APIR: MGE9705AU) has continued its exceptional track record of outperforming the benchmark over 1 year, 3 years, 5 years and since inception, as at 31 December 2023. The strong investment performance added FUM of \$0.5 billion and saw net inflows of \$0.1 billion in the half.

The Group has continued to focus on strategic initiatives to rebuild the business.

A number of initiatives were implemented to address uncertainty around the Magellan Global Fund (Closed Class) (ASX: MGF) and prevent potential future instability within the business. During the half, the Group announced the acquisition of up to 750 million MGF Options, reducing the financial liability on our balance sheet and providing value to clients, and announced the intention to convert the Magellan Global Fund (Closed Class) into the Magellan Global Fund (Open Class). These initiatives reflect the Group's client first approach and were well received.

A Strategic Product Committee was established, bringing together leaders across the business to enable efficient decision making around the future direction and structure of our strategies and product offerings.

New leadership has been appointed to the Group's US distribution platform to leverage existing infrastructure and relationships to develop a multi-boutique business, to invest in and distribute a diversified group of asset managers. The US market is a significant growth opportunity for the Group and is expected to be a key driver of future growth.

In the second half, the Magellan Unconstrained Fund will be launched to retail investors. This is a global equities strategy managed by Portfolio Manager, Alan Pullen and has a strong 2-year investment performance track record and is a complementary offering to our existing Global Equities strategy.

The Group saw FUM increase to \$36.3 billion at 31 January 2024.

To this end, whilst there is more to do, Magellan remains a profitable fund manager with strong foundations, positioning the business to deliver growth and value for our clients and shareholders.

Fund Investments

Fund Investments is a sub-set of the Group's balance sheet and largely comprises investments in Magellan's funds and seed portfolios for new strategies and initiatives. The Group believes that maintaining a strong balance sheet is important for Magellan's clients and shareholders. In addition to providing strategic flexibility and optionality, the Group's Fund Investments ensure the Group holds a meaningful level of liquid assets for operational risk purposes and allows Magellan to seed new investment strategies and co-invest with clients.

As at 31 December 2023, the Group had net Fund Investments of \$334.5 million, compared with \$392.0 million at 30 June 2023.

The following table sets out a summary of the Group's Fund Investments as at 31 December 2023 and 30 June 2023:

\$million	31 Dec 2023	30 Jun 2023
Cash	0.2	0.4
Investments in:		
Magellan funds ¹	351.2	412.9
Net seed portfolios	5.0	7.0
Other ²	0.2	0.2
Total	356.6	420.5
Net deferred tax liability ³	(22.1)	(28.5)
Net Fund Investments	334.5	392.0
Net Fund Investments per share (cents)⁴	184.8	216.1

¹ Investments are set out in note 6 of the financial statements.

² Comprises receivables and payables.

³ Arises from changes in the fair value of financial assets.

⁴ Based on 181,034,501 ordinary shares on issue at 31 December 2023 (30 June 2023: 181,431,899 ordinary shares).

Performance Overview

For the half year ended 31 December 2023

The Group aims to earn satisfactory returns on its Fund Investments portfolio over time while maintaining capital strength to underpin the Group's business. Magellan has established a pre-tax return hurdle of 10% per annum over the business cycle for the Fund Investments portfolio.

The Group's Fund Investments portfolio has returned pre-tax 23.0%, 7.2% and 9.4% per annum over the last 1, 3 and 5 years to 31 December 2023 respectively. Excluding the effect of the Group's previous investment in MFF Capital Investments Limited, disposed of by way of an in-specie distribution to shareholders in February 2013, the portfolio returned pre-tax 10.3% per annum since inception from 1 July 2007. The inception date of 1 July 2007 has been chosen to reflect the first purchase date of the investments in the Magellan Global Fund and the Magellan Infrastructure Fund.

Associate Investments

As at 31 December 2023, Magellan held two investments in associates. These are held on Magellan's balance sheet and are managed separately:

- 36% economic interest (4.99% voting interest) in Barrenjoey Capital Partners Group Holdings Pty Limited ("Barrenjoey"), a recently established full-service financial services firm; and
- 16%² interest in FinClear Holdings Limited ("FinClear"), a provider of technology, infrastructure and ASX market-access services.

Associate investments delivered a post-tax gain of \$3.1 million during the six months ended 31 December 2023 (1H23: after tax-loss of \$8.1 million).

Barrenjoey was profitable in the first half of 2024 reflecting record revenue, up 35%, and ongoing revenue growth across all its business lines as it continues to capture market share. With all key businesses established, including Barrenjoey's Fixed Income Derivatives and Equity Financing businesses, and operating leverage increasing with a flat expense base, the business is profitable and cash generative. Barrenjoey also maintains a strong capital position, with regulatory capital more than 350% above requirements.

FinClear's contribution to the Group was broadly flat as a result of ongoing weak retail market volumes in the period, partly offset by its efforts to diversify its revenue sources. FinClear continues to win clients in its core Execution and Clearing businesses and also acquired cash investment platform Transact1 (~\$3 billion FUM at 31 December 2023) during the half.

Magellan continues to be a supportive shareholder, and will manage these investments with a view to maximising shareholder value.

Capital Management

As at 31 December 2023 the Group's financial position included:

- investment assets (cash and cash equivalents, financial assets and investments in associates) of \$837.2 million (June 2023: \$945.3 million);
- net tangible assets of \$830.5 million (June 2023: \$853.7 million) equating to \$4.59 per share (June 2023: \$4.71);
- total liabilities of \$117.9 million (June 2023: \$236.5 million) which relate predominantly to the Group's financial commitments regarding the Magellan Global Fund Options, but also include payables, employee benefits, income tax payable and lease liabilities; and
- shareholders' funds of \$937.8 million (June 2023: \$962.5 million).

The Group has no debt.

As at 31 December 2023, Magellan had bought back 4,681,498 shares pursuant to its on-market share buy-back program of up to 10 million ordinary fully paid shares (representing 5.4% of shares on issue at announcement).

The Group's strong balance sheet has benefited clients and shareholders in recent periods by protecting the business from challenges at the corporate level. Magellan's strong capital position continues to provide the business strategic optionality and flexibility, with the Group assessing that it holds approximately \$311 million of capital available for strategic purposes.

² Excluding the impact of any potential dilution arising from unexercised issued options.

Directors' Report

For the half year ended 31 December 2023

The Directors present their report together with the financial statements of Magellan Financial Group Limited (the "Company" or "MFG") and its controlled entities, which together form the Group, for the half year ended 31 December 2023.

1. Directors

		Appointed	Resigned
Andrew Formica	Executive Chairman ¹	26 July 2023	-
Hamish McLennan	Deputy Chairman, Independent Non-Executive Director ²	1 March 2016	-
David Dixon	Independent Non-Executive Director	15 December 2022 ³	-
John Eales	Independent Non-Executive Director	1 July 2017	-
Cathy Kovacs	Independent Non-Executive Director	6 November 2023	-
Deborah Page	Independent Non-Executive Director	3 October 2023	-
Colette Garnsey	Independent Non-Executive Director	30 November 2020	8 November 2023
David George	Chief Executive Officer	19 July 2022	24 October 2023
Robert Fraser ⁴	Independent Non-Executive Director	23 April 2014	18 August 2023

¹ Mr Formica was appointed Chairman on 18 August 2023 and subsequently appointed Executive Chairman on 25 October 2023.

² During the period ended 31 December 2023, Mr McLennan served as Chairman from 1 July 2023 through 17 August 2023.

³ Mr Dixon was appointed a Director of Magellan Asset Management Limited ("MAM") on 1 November 2022.

⁴ Mr Fraser continues to act as Chairman of MAM, the Group's principal operating subsidiary.

2. Dividends

The Directors have declared an interim dividend of 29.4 cents per ordinary share (50% franked) in respect of the half year ended 31 December 2023 (December 2022: 46.9 cents per ordinary share, 85% franked). The amount of the interim dividend expected to be paid on 6 March 2024, but not recognised as a liability as at 31 December 2023, is approximately \$53,224,000 (December 2022: \$85,128,000).

The Company's policy is to pay Interim and Final Dividends of 90% to 95% of the net profit after tax of the Group's funds management business excluding performance fees. Net profit after tax of the funds management business excludes amortisation of intangibles, expenses/benefits related to strategic initiatives and gains/losses from non-cash remeasurements. In addition to the Interim and Final Dividends, the Directors will pay an annual Performance Fee Dividend of 90% to 95% of net crystallised performance fees after tax. Any Performance Fee Dividend will be paid annually alongside the Final Dividend. The payment of dividends by the Group will be subject to corporate, legal and regulatory considerations.

3. Review of Financial Results and Operations

3.1. Reconciliation of Net Profit After Tax to Adjusted Net Profit After Tax

The Group's net profit after tax ("Statutory net profit") and earnings per share are prepared in accordance with Australian Accounting Standards. The Group also reports a number of non-International Financial Reporting Standards ("non-IFRS") financial measures including "adjusted revenue and other income", "adjusted net profit before associates", "adjusted net profit after tax" and "adjusted basic and diluted EPS" which are shown on the next page. Refer to section 3.2 for further details on non-IFRS financial measures.

The Group's statutory net profit after tax for the half year ended 31 December 2023 was \$104,058,000, up \$20,302,000 from the prior corresponding half year. The Group's adjusted net profit after tax was \$93,527,000 (December 2022: \$98,345,000) which takes into account various non-IFRS adjustments as shown on the following page.

Directors' Report

For the half year ended 31 December 2023

3.1 Reconciliation of Net Profit After Tax to Adjusted Net Profit After Tax (continued)

	31 Dec 2023		31 Dec 2022	
	Statutory \$'000	Non-IFRS \$'000	Statutory \$'000	Non-IFRS \$'000
Management and services fees	130,303	130,303	181,068	181,068
Performance fees	90	90	105	105
Other revenue and income	38,917	38,917	18,217	18,217
Total revenue and other income	169,310	169,310	199,390	199,390
Adjust for: net unrealised change in fair value of financial assets and liabilities		15,868		9,852
Adjust for: non-cash interest related to share purchase loans		(2,417)		(456)
Adjusted revenue and other income		182,761		208,786
Total expenses	(25,260)	(25,260)	(73,977)	(73,977)
Adjust for: net (benefit)/expense related to MGF options ¹		(31,569)		3,403
Adjust for: transaction costs related to strategic initiatives ²		115		1
Adjust for: amortisation of intangible assets		707		2,345
Adjust for: non-cash expenses related to share purchase loans		668		1,379
Adjust for: non-cash employee share option expense		1,475		2,042
Adjusted expenses		(53,864)		(64,807)
Income tax	(42,846)	(42,846)	(33,158)	(33,158)
Adjust for: tax on above adjustments		4,676		(3,977)
Adjust for: tax on undistributed associate profit		(284)		(429)
Adjust for: tax on gain from associate dilutions and disposals		23		-
Adjusted income tax		(38,431)		(37,564)
Adjusted net profit before associates		90,466		106,415
Share of after-tax profit/(loss) of associates	2,777	2,777	(8,499)	(8,499)
Adjust for: tax on undistributed associate profit		284		429
Net gain/(loss) on dilutions and disposals of associates	77	77	-	-
Adjust for: net gain on dilutions and disposals of associates		(77)		-
Net profit after tax	104,058		83,756	
Adjusted net profit after tax		93,527		98,345
Basic and diluted earnings per share	57.4		45.6	
Adjusted basic and diluted earnings per share		51.6		53.6

¹ Reflects the change in value of the obligation associated with the Magellan Global Fund ('MGF') Options issued under the MGF Partnership Offer and Bonus MGF Option Issue and, for the period ended 31 December 2023, also includes the cost of the on-market purchase of MGF Options ("MGFO") by the Group and related transaction costs.

² Comprises costs associated with the proposed closed class conversion of MGF.

3.2. Non-IFRS Financial Measures

Non-IFRS financial measures are measures that are not defined or specified under IFRS. The Directors believe non-IFRS financial measures assist in providing additional meaningful information about the performance of the business and period-to-period comparability by adjusting for strategic, non-recurring, non-cash or unrealised items which affect the Group's statutory financial results.

Non-IFRS financial measures should be viewed in addition to, and not as a substitute for, the Group's statutory results. These measures may also differ from non-IFRS measures used by other companies.

The Group's non-IFRS financial measures are presented with reference to the Australian Securities & Investments Commission ("ASIC") Regulatory Guide 230 *Disclosing non-IFRS financial information*, issued in December 2011. Non-IFRS financial measures are not subject to audit or review.

Directors' Report

For the half year ended 31 December 2023

3.3. Statement of Financial Position

The Group is in a strong financial position and at 31 December 2023 reported:

- investment assets (cash and cash equivalents, financial assets and investments in associates) of \$837,216,000 (June 2023: \$945,341,000);
- shareholders' funds of \$937,772,000 (June 2023: \$962,502,000); and
- NTA per share of \$4.59 (June 2023: \$4.71).

Refer to the Performance Overview on page 6 for further information on the Group's operations and results. Further details regarding the strategy and future outlook of the Group are included in the Executive Chairman's Interim Letter on page 3.

4. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the half year ended 31 December 2023 other than as disclosed in this report or the financial statements.

5. Events Subsequent to the End of the Half Year

Other than the items noted below, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial periods.

Interim Dividend

Refer to section 2 for details of the dividend declared in respect of the six months ended 31 December 2023.

Funds Under Management

On 6 February 2024, the Group announced on the ASX announcements platform that its funds under management was \$36.3 billion as at 31 January 2024.

MGF Options

Subsequent to 31 December 2023, the Group continued its on-market acquisition of MGF Options. As at the date of this report, the Group has acquired a further 101,000,584 Options at a price of 10 cents per Option, before transaction costs, which completes the 750 million program announced on the ASX in December 2023.

6. Auditor

Ernst & Young continues in the office and a copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 16.

7. Rounding of Amounts

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

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



Andrew Formica
Executive Chairman

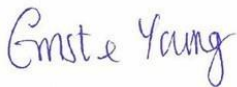
Sydney
15 February 2024

Auditor's independence declaration to the Directors of Magellan Financial Group Limited

As lead auditor for the review of the interim financial report of Magellan Financial Group Limited for the half-year 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.

This declaration is in respect of Magellan Financial Group Limited and the entities it controlled during the financial period.



Ernst & Young



Clare Sporle
Partner
15 February 2024

Consolidated Statement of Profit or Loss and Comprehensive Income

for the half year ended 31 December

	Note	2023 \$'000	2022 \$'000
Revenue			
Management fees	5	129,703	179,068
Performance fees	5	90	105
Services fees		600	2,000
Advisory fees		663	698
Dividend and distribution income		6,029	17,394
Interest income		10,600	4,977
Net change in the fair value of financial assets and liabilities:			
Realised		37,826	4,528
Unrealised		(15,868)	(9,852)
Net foreign exchange gain/(loss)		(333)	472
Total revenue and other income		169,310	199,390
Expenses			
Employee expenses		36,009	48,583
Non-Executive Director fees		742	416
Fund administration and operational costs		7,011	8,050
Information, technology and data		4,702	4,348
Marketing		863	926
Professional services fees		2,359	1,044
Travel and entertainment		617	764
Depreciation and amortisation		1,922	3,591
Net (benefit)/expense related to Magellan Global Fund options	2	(31,569)	3,403
Transaction costs related to strategic initiatives	2	115	1
Finance costs		725	769
Other expenses		1,764	2,082
Total expenses		25,260	73,977
Share of after tax profit/(loss) of associates		2,777	(8,499)
Net gain on dilution of interests in associates		77	-
Net profit before tax		146,904	116,914
Income tax expense	4	(42,846)	(33,158)
Net profit after tax		104,058	83,756
Other comprehensive income for the period			
Exchange differences on translation of foreign operations		(889)	576
Other comprehensive income for the period, net of tax		(889)	576
Total comprehensive income for the period		103,169	84,332
Basic earnings per share (cents per share)	3	57.4	45.6
Diluted earnings per share (cents per share)	3	57.4	45.6

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

Consolidated Statement of Financial Position

As at

	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current assets			
Cash and cash equivalents		326,193	373,445
Loans and receivables		41,149	58,271
Financial assets	6	1,666	1,666
Prepayments		1,819	982
Other assets		1,962	1,289
Total current assets		372,789	435,653
Non-current assets			
Loans and receivables		22,271	26,482
Financial assets	6	356,916	420,643
Associates	9	152,441	149,587
Property, plant and equipment		408	420
Right-of-use assets		6,422	7,507
Intangible assets		107,305	108,780
Net deferred tax asset		34,277	45,843
Other assets		2,849	4,059
Total non-current assets		682,889	763,321
Total assets		1,055,678	1,198,974
Current liabilities			
Payables		12,724	11,535
Employee benefits		23,245	36,090
Financial liabilities	7	60,416	159,855
Income tax payable		11,196	12,773
Lease liabilities		2,649	2,608
Total current liabilities		110,230	222,861
Non-current liabilities			
Employee benefits		1,376	5,975
Provisions		77	72
Lease liabilities		6,223	7,564
Total non-current liabilities		7,676	13,611
Total liabilities		117,906	236,472
Net assets		937,772	962,502
Equity			
Contributed equity	10	629,588	632,323
Reserves		308,184	330,697
Retained earnings		-	(518)
Total equity		937,772	962,502

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

Consolidated Statement of Changes in Equity

for the half year ended 31 December

		Contributed equity	Profits reserve	Share- based payments reserve	Foreign currency translation reserve	Retained earnings	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2023		632,323	321,037	5,129	4,531	(518)	962,502
Net profit after tax for the period		-	-	-	-	104,058	104,058
Other comprehensive income for the period		-	-	-	(889)	-	(889)
Total comprehensive income for the period		-	-	-	(889)	104,058	103,169
Shares bought back on-market and cancelled	10	(2,780)	-	-	-	-	(2,780)
Transaction costs, net of tax	10	(2)	-	-	-	-	(2)
Dividends paid	11	-	(126,639)	-	-	-	(126,639)
Share purchase agreements ("SPA") expense	10	47	-	-	-	-	47
Share-based payment expense		-	-	1,475	-	-	1,475
Transfer (from retained earnings)/to profits reserve		-	103,540	-	-	(103,540)	-
Closing balance at 31 December 2023		629,588	297,938	6,604	3,642	-	937,772

Opening balance at 1 July 2022		671,716	313,233	1,283	3,242	37,286	1,026,760
Net profit after tax for the period		-	-	-	-	83,756	83,756
Other comprehensive income for the period		-	-	-	576	-	576
Total comprehensive income for the period		-	-	-	576	83,756	84,332
Issue of shares:							
On exercise of MFG 2027 Options		6	-	-	-	-	6
Shares bought back on-market and cancelled		(38,885)	-	-	-	-	(38,885)
Transaction costs, net of tax		(28)	-	-	-	-	(28)
Dividends paid	11	-	(127,526)	-	-	-	(127,526)
SPA expense		53	-	-	-	-	53
Share-based payment expense		-	-	2,042	-	-	2,042
Transfer (from retained earnings)/to profits reserve		-	131,708	-	-	(131,708)	-
Closing balance at 31 December 2022		632,862	317,415	3,325	3,818	(10,666)	946,754

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

Consolidated Statement of Cash Flows

for the half year ended 31 December

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Management and services fees received		146,840	209,260
Performance fees received		12,582	-
Advisory fees received		886	1,110
Dividends and distributions received		8,829	8,376
Interest received		8,139	3,847
Finance cost payments		(729)	(837)
Tax payments		(32,765)	(46,817)
Payments to suppliers and employees		(81,968)	(84,800)
Payments of transaction costs related to Magellan Global Fund options		(66,481)	(35)
Payments of transaction costs related to strategic initiatives		(50)	(4)
Net cash from/(used in) operating activities		(4,717)	90,100
Cash flows from investing activities			
Proceeds from the sale of financial assets and liabilities		83,800	19,727
Purchases of financial assets and liabilities		(961)	(12,824)
Purchases of property, plant and equipment		(125)	(89)
Net placements of cash on term deposits		-	(16)
Net cash from/(used in) investing activities		82,714	6,798
Cash flows from financing activities			
Proceeds from share issuances, net of transaction costs		-	(29)
Proceeds from repayment of share purchase plan loans		5,051	1,126
Dividend payments	11	(125,780)	(126,606)
Lease payments		(1,293)	(1,232)
Shares bought back on-market	10	(2,782)	(39,837)
Net cash from/(used in) financing activities		(124,804)	(166,578)
Net increase/(decrease) in cash and cash equivalents		(46,807)	(69,680)
Effects of exchange rate changes on cash and cash equivalents		(445)	555
Cash and cash equivalents at the beginning of the period		373,445	419,922
Cash and cash equivalents at the end of the period		326,193	350,797

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

Notes to the Financial Statements

For the half year ended 31 December 2023

Overview

Magellan Financial Group Limited (the "Company" or "MFG") is a for-profit entity that is incorporated and domiciled in Australia. The Company is listed on the Australian Securities Exchange (ticker code: MFG).

This condensed interim financial report comprises the consolidated financial report of MFG and its subsidiaries ("the Group"). This financial report was authorised for issue in accordance with a resolution of the Directors on 15 February 2024 and the Directors have the power to amend and reissue this financial report.

1. Basis of Preparation

This condensed interim financial report for the six month period ended 31 December 2023 is a general purpose financial report and has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* (Cth) and other mandatory professional reporting requirements. It also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts in this financial report are presented in Australian dollars (\$) and rounded to the nearest thousand dollars (\$'000) in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless stated otherwise.

This condensed interim financial report does not include all the information and disclosures normally included in the Group's annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2023 Annual Report and any public announcements made in respect of the Group during the half year ended 31 December 2023 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth).

1.1. Accounting Policies

The accounting policies adopted in the preparation of this financial report are consistent with those of the previous financial year and corresponding interim reporting period.

The Group has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective at reporting date. No accounting standard, interpretation or amendment that has been issued is expected to have a material impact on the Group's financial statements.

1.2. Critical Accounting Estimates and Judgements

In applying the Group's accounting policies, a number of estimates and assumptions have been made concerning the future. 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those described in the 30 June 2023 Annual Report.

Notes to the Financial Statements

For the half year ended 31 December 2023

2. Segment Information

The Group's business activities are organised into the reportable operating segments listed below for internal management purposes.

Funds Management

The Funds Management segment provides investment funds management services to high net worth and retail investors in Australia and New Zealand, and to institutional investors globally. Funds Management activities include:

- Providing investment research and administrative services to certain clients;
- Providing investment management and sub-advisory services under client mandates; and
- Acting as Responsible Entity/Trustee ("RE") and/or Investment Manager ("IM") for the following funds (collectively the "Magellan Funds"):

Australian funds	RE	IM	International funds	IM
Magellan Global Fund	✓	✓	MFG Global Fund ¹	✓
Magellan Global Fund (Hedged)	✓	✓	MFG Select Infrastructure Fund ¹	✓
Magellan Global Equities Fund (Currency Hedged)	✓	✓	MFG Global Sustainable Fund ¹	✓
Magellan Infrastructure Fund	✓	✓	Frontier MFG Global Equity Fund ²	✓
Magellan Infrastructure Fund (Unhedged)	✓	✓	Frontier MFG Core Infrastructure Fund ²	✓
Magellan Infrastructure Fund (Currency Hedged)	✓	✓	Frontier MFG Global Sustainable Fund ²	✓
Magellan High Conviction Fund	✓	✓		
Magellan High Conviction Trust	✓	✓		
Magellan Core ESG Fund ³	✓	✓		
Magellan Core Global Fund ³	✓	✓		
Magellan Core Infrastructure Fund ³	✓	✓		
Magellan Sustainable Fund	✓	✓		
Magellan Global Wholesale Fund	✓	✓		
Magellan Energy Transition Fund	✓	✓		
Airlie Australian Share Fund ⁴	✓	✓		
Airlie Concentrated Share Fund ⁴	✓	✓		
Airlie Small Companies Fund ⁴	✓	✓		

¹ Funds authorised under the European Commission (Undertakings for Collective Investment in Transferable Securities ("UCITS")).

² Collectively, the Frontier MFG Funds.

³ Collectively, the Core Series Funds.

⁴ Collectively, the Airlie Funds

Fund Investments

The Fund Investments segment comprises the Group's direct investment in certain Magellan Funds and a select portfolio of listed Australian and international equities.

Associate Investments

The Associate Investments segment comprises a portfolio of selective investments in businesses in which the Group has a strategic interest.

Corporate

The Corporate segment principally comprises the Group's treasury management activities, corporate development and strategy activities and the costs associated with governance and corporate management. The combined income tax consequences of the Group are reported in the Corporate segment, with the exception of deferred income tax arising from changes in the value of financial assets and associates, which are reported in the relevant segment.

No operating segments have been aggregated to form the above reportable operating segments and inter-segment revenues and expenses (where applicable) have been eliminated on consolidation.

Notes to the Financial Statements

For the half year ended 31 December 2023

Segment Financial Results

31 December 2023	Funds Management \$'000 ¹	Fund Investments \$'000	Associate Investments \$'000	Corporate \$'000	Total \$'000
Segment revenue					
Management fees	129,703	-	-	-	129,703
Performance fees	90	-	-	-	90
Services and advisory fees	1,263	-	-	-	1,263
Dividend and distribution income	-	6,029	-	-	6,029
Interest income	527	3	69	7,584	8,183
Net change in the fair value of financial assets and liabilities:					
Realised	-	37,826	-	-	37,826
Unrealised	-	(15,868)	-	-	(15,868)
Net foreign exchange gain	(340)	-	-	7	(333)
Total segment revenue and other income	131,243	27,990	69	7,591	166,893
Segment expenses					
Employee expenses	34,067	-	-	45	34,112
Non-Executive Director fees	251	-	-	491	742
Other expenses	16,977	39	-	1,994	19,010
Total segment expenses	51,295	39	-	2,530	53,864
Share of after tax profit/(loss) of associates	-	-	2,777	-	2,777
Total segment operating profit before tax	79,948	27,951	2,846	5,061	115,806
Other comprehensive income					
Exchange differences on translation of foreign operations	(889)	-	-	-	(889)
Other comprehensive income, before tax	(889)	-	-	-	(889)
Total comprehensive income, before tax	79,059	27,951	2,846	5,061	114,917

¹ Includes elimination of income and expense under the transfer pricing agreements between MFG's wholly-owned subsidiary, Magellan Asset Management Limited ("MAM"), and US controlled entities, within the Funds Management segment.

Reconciliation of Segment Operating Profit Before Tax to Statutory Net Profit After Tax

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Total segment operating profit before tax		115,806	125,628
<i>Add back:</i>			
Amortisation of intangible assets ¹		(707)	(2,345)
Net non-cash remeasurement of SPA loans		1,749	(923)
Non-cash employee share option expense		(1,475)	(2,042)
Net benefit/(expense) related to Magellan Global Fund options	7	31,569	(3,403)
Net gain on dilutions and disposals of interests in associates		77	-
Transaction costs related to strategic initiatives:			
Proposed closed class conversion of Magellan Global Fund		(115)	-
Commitment to Magellan FuturePay		-	(1)
Total expenses related to strategic initiatives		(115)	(1)
Statutory net profit before tax for the period		146,904	116,914
Income tax expense		(42,846)	(33,158)
Statutory net profit after tax for the period		104,058	83,756

¹ Amortisation expense relates to intangible assets recorded on acquisition of Airlie Funds Management ("Airlie") and Frontier Partners Inc, Frontegra Strategies LLC and Frontegra Asset Management Inc (collectively, the "Frontier Group").

Notes to the Financial Statements

For the half year ended 31 December 2023

Segment Financial Results (continued)

31 December 2022	Funds Management \$'000 ¹	Fund Investments \$'000	Associate Investments \$'000	Corporate \$'000	Total \$'000
Segment revenue					
Management fees	179,068	-	-	-	179,068
Performance fees	105	-	-	-	105
Services and advisory fees	2,698	-	-	-	2,698
Dividend and distribution income	-	17,394	-	-	17,394
Interest income	135	-	-	4,386	4,521
Net change in the fair value of financial assets and liabilities:					
Realised	-	4,528	-	-	4,528
Unrealised	-	(9,852)	-	-	(9,852)
Net foreign exchange gain	462	10	-	-	472
Total segment revenue and other income	182,468	12,080	-	4,386	198,934
Segment expenses					
Employee expenses	45,486	-	-	24	45,510
Non-Executive Director fees	124	-	-	292	416
Other expenses	16,817	53	-	2,011	18,881
Total segment expenses	62,427	53	-	2,327	64,807
Share of after tax profit/(loss) of associates	-	-	(8,499)	-	(8,499)
Total segment operating profit before tax	120,041	12,027	(8,499)	2,059	125,628
Other comprehensive income					
Exchange differences on translation of foreign operations	576	-	-	-	576
Other comprehensive income, before tax	576	-	-	-	576
Total comprehensive income, before tax	120,617	12,027	(8,499)	2,059	126,204

¹ Includes elimination of income and expense under the transfer pricing agreements between MFG's wholly-owned subsidiary, MAM, and US controlled entities, within the Funds Management segment.

Segment Assets and Liabilities

	Funds Management \$'000	Fund Investments \$'000	Associate Investments \$'000	Corporate \$'000	Total \$'000
31 December 2023					
Financial assets	1,666	356,221	695	-	358,582
Associates	-	-	152,441	-	152,441
Other assets	186,831	(21,758) ¹	(540) ¹	380,122	544,655
Total liabilities	(45,164)	-	-	(72,742)	(117,906)
Net assets	143,333	334,463	152,596	307,380	937,772
30 June 2023					
Financial assets	1,666	419,948	695	-	422,309
Associates	-	-	149,587	-	149,587
Other assets	223,612	(27,942) ¹	(823) ¹	432,231	627,078
Total liabilities	(62,858)	-	-	(173,614)	(236,472)
Net assets	162,420	392,006	149,459	258,617	962,502

¹ Reflects tax liabilities within the Group's net deferred tax asset.

Notes to the Financial Statements

For the half year ended 31 December 2023

3. Earnings Per Share

	31 Dec 2023	31 Dec 2022
Basic and diluted EPS		
Net profit attributable to shareholders (\$'000)	104,058	83,756
Weighted average number of shares for basic and diluted EPS ('000)	181,326	183,643
Basic and diluted EPS (cents)	57.4	45.6

The outstanding MFG 2027 Options and the outstanding options issued to certain employees under the MFG Employee Share Option Plan are not included in the calculation of diluted earnings per share because they are antidilutive for the half year ended 31 December 2023. However, these options could potentially dilute basic earnings per share in the future.

4. Taxation

For the half year ended 31 December 2023, the Company's estimated effective tax rate was 29.2% (December 2022: 28.4%), which includes tax paid (net of tax credits in relation to dividends, distributions and foreign jurisdictions). This rate is below the Australian company tax rate of 30% primarily as a result of the share of after tax profit recognised by the Group in respect of its associates. Associate profit recognised during the period is not subject to taxation until such time as it is distributed to the Group by the associates.

5. Revenue

Management Fees

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Magellan Global Fund	62,440	75,981
Magellan Global Fund (Hedged)	3,004	4,649
Magellan Infrastructure Fund	9,866	13,380
Magellan Infrastructure Fund (Unhedged)	4,036	5,322
Magellan Infrastructure Fund (Currency Hedged)	3,575	4,435
Magellan High Conviction Fund	1,467	1,968
Magellan High Conviction Trust	3,315	3,830
Frontier MFG Funds	2,116	5,748
Airlie Australian Share Fund	1,538	1,113
Other funds and mandates	38,346	62,642
Total management fees	129,703	179,068

Performance Fees

	High watermark unit price (\$) ¹	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Based on performance relative to both market index and absolute return hurdle			
Magellan Global Fund (Open/Closed Class)	2.5867/1.8966	11	70
Magellan Infrastructure Fund (Unhedged)	1.8247	7	7
Other Magellan funds	various	-	28
Based on performance relative to a market index and/or absolute return hurdle			
Other funds and mandates	various	72	-
Total performance fees		90	105

¹ The high watermark as at 31 December 2023 and adjusted for distributions. The high watermark is the Net Asset Value ("NAV") per unit at the end of the most recent calculation period for which the Group was entitled to a performance fee, less any intervening income (including capital distributions).

Notes to the Financial Statements

For the half year ended 31 December 2023

Management, Services and Performance Fees by Geographic Location

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Australia & New Zealand	107,951	140,467
United Kingdom & Europe	5,200	12,799
North America	6,596	17,864
Asia	10,646	10,043
Total management, services and performance fees	130,393	181,173

Management, Services and Performance Fees by Investor Type

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Management and services fees		
Retail	99,318	125,611
Institutional	30,985	55,457
Performance fees		
Retail	90	104
Institutional	-	1
Total management, services and performance fees	130,393	181,173
 Total Retail	 99,408	 125,715
Total Institutional	30,985	55,458
Total management, services and performance fees	130,393	181,173

Notes to the Financial Statements

For the half year ended 31 December 2023

6. Financial Assets

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Term deposits - at amortised cost¹	1,666	1,666
Total current financial assets	1,666	1,666
Investments - fair value through profit or loss		
Magellan Funds²		
Magellan Core ESG Fund	12,057	11,886
Magellan Core Global Fund	12,110	12,022
Magellan Energy Transition Fund	1,622	1,611
Magellan Global Equities Fund (Currency Hedged)	21,950	21,123
Magellan Global Fund - Open Class ³	87,014	167,236
Magellan Global Fund - Closed Class ⁴	95,173	82,318
Magellan Global Fund (Hedged)	934	908
Magellan Global Wholesale Fund	1,079	1,061
Magellan High Conviction Fund	11,002	10,280
Magellan High Conviction Trust	43,154	39,914
Magellan Infrastructure Fund (Currency Hedged)	11,777	11,819
Magellan Sustainable Fund	5,840	5,520
Magellan Wholesale Plus Global Fund	7,922	9,361
Magellan Wholesale Plus Infrastructure Fund	6,308	6,241
MFG Global Sustainable Fund	2,215	2,060
Airlie Small Companies Fund	2,232	1,932
Frontier MFG Core Infrastructure Fund	8,597	8,718
Frontier MFG Global Sustainable Fund	20,221	18,880
Total investments in Magellan Funds	351,207	412,890
Seed investments		
MC Fund	1,096	1,014
Portfolios - securities by domicile of primary stock exchange:		
United States	3,918	5,449
Europe and United Kingdom	-	595
Total seed investments	5,014	7,058
Unlisted entities	695	695
Total non-current financial assets	356,916	420,643

¹ Held with a major Australian bank and pledged against bank guarantees in respect of the Group's lease obligations. Should the Group fail to make its lease payments, the bank can apply the deposits in settlement of the amount paid to the lessor under the guarantees.

² At 31 December 2023, MFG held the following investments: Magellan Core ESG Fund 77.5% (June 2023: 80.4%), Magellan Core Global Fund 47.5% (June 2023: 48.9%), Magellan Energy Transition Fund 96.6% (June 2023: 96.6%), Magellan Global Equities Fund (Currency Hedged) 19.9% (June 2023: 17.6%), Magellan Global Fund Open Class 1.4% and Closed Class 3.6% (June 2023: 2.4% and 3.4%), Magellan Global Fund (Hedged) 0.2% (June 2023: 0.2%), Magellan Global Wholesale Fund 13.3% (June 2023: 13.8%), Magellan High Conviction Fund 6.5% (June 2023: 5.7%), Magellan High Conviction Trust 9.9% (June 2023: 8.9%), Magellan Infrastructure Fund (Currency Hedged) 1.7% (June 2023: 1.6%), Magellan Sustainable Fund 76.7% (June 2023: 74.6%), Magellan Wholesale Plus Global Fund 1.8% (June 2023: 2.0%), Magellan Wholesale Plus Infrastructure Fund 4.8% (June 2023: 5.1%), MFG Global Sustainable Fund 1.7% (June 2023: 1.6%), Airlie Small Companies Fund 65.8% (June 2023: 69.7%), Frontier MFG Core Infrastructure Fund 1.3% (June 2023: 1.2%) and Frontier MFG Global Sustainable Fund 47.8% (June 2023: 39.6%).

³ MFG sold 30,762,132 units for \$80.2 million during the period.

⁴ At 31 December 2023, MFG held 657,379,343 MGF Options (June 2023: 8,379,927 MGF Options) which includes the 648,999,416 Options purchased on-market during the period (refer to note 7). The Group has committed to holding the options until they lapse on 1 March 2024. On that basis, the MGF Options acquired at a cost of \$64,900,000 are carried at nil value.

Notes to the Financial Statements

For the half year ended 31 December 2023

Reconciliation of Financial Assets Carrying Value

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current		
Opening balance at 1 July	1,666	1,650
Cash placed on term deposit	-	1,666
Matured term deposits	-	(1,650)
Closing balance	1,666	1,666
Non-current		
Opening balance at 1 July	420,643	379,438
Acquisitions	1,375	35,478
Disposals	(83,772)	(34,011)
Changes in value of accrued distributions	(3,288)	448
Net change in fair value:		
Realised	37,826	(11,207)
Unrealised	(15,868)	50,497
Closing balance	356,916	420,643

7. Financial Liabilities

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Financial liabilities - fair value through profit or loss		
Obligation to fund the discount offered on MGF Options	60,416	159,855
Total financial liabilities	60,416	159,855

In January 2021, MFG committed to fund the 7.5% discount associated with options issued to MGF unitholders under the MGF Partnership Offer and the Bonus MGF Option Issue (referred to collectively as "MGF Options"). At that time, in accordance with accounting standards, a funding obligation was recognised as a financial liability assuming all MGF Options are exercised over the three-year option term. The financial liability moves in line with changes to the NAV per MGF Closed Class Unit and reduces when MGF Options are exercised or ultimately forfeited. Any increase in the financial liability is recorded as an additional expense, and any decrease as a gain, in the Consolidated Statement of Profit or Loss and Comprehensive Income.

In December 2023, MFG announced it would acquire up to 750 million outstanding MGF Options. During the period ended 31 December 2023, the Group purchased 648,999,416 MGF Options on-market at a price of 10 cents per Option before transaction costs. The liability relating to the discount funding of the MGF Options purchased by the Group has been reversed and recognised as a gain in the Consolidated Statement of Profit or Loss and Comprehensive Income in the half year ended 31 December 2023.

At 31 December 2023, the recognised financial liability reflects the Group's obligation to fund the discount associated with all unexercised MGF Options held by parties external to the Group. Notwithstanding the commitment by the Group to allow the 657,379,343 MGF Options held at 31 December 2023 to lapse on expiry, were these options to be included in the valuation of the Group's discount funding obligation, the total financial liability would increase to \$155,365,000.

Reconciliation of Financial Liabilities Carrying Value

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Opening balance at 1 July	159,855	133,349
Items recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income:		
(Decrease)/increase in liability resulting from changes in the MGF NAV	(1,692)	26,575
(Decrease) in liability related to MGF Options held by the Group	(97,610)	-
	(99,302)	26,575
Exercise of MGF Options during the period	(137)	(69)
Closing balance	60,416	159,855

Notes to the Financial Statements

For the half year ended 31 December 2023

Reconciliation of Net Benefit Related to MGF Options

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
(Benefit)/expense resulting from changes in the obligation to fund the MGF Options discount	(99,302)	3,404
Cost of on-market purchase of MGF Options by the Group	64,900	-
Transaction costs associated with the purchase of MGF Options	2,833	-
Net (benefit)/expense related to Magellan Global Fund options	(31,569)	3,404

8. Fair Value Disclosures

The Group classifies financial assets and liabilities that are measured at fair value into the following three levels, as prescribed by the accounting standards, to provide an indication about the reliability of the inputs used in determining fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Fair value is based on the closing price of the security as quoted on the relevant exchange.
- Level 2: valuation techniques using market observable inputs either directly or indirectly. The Group invests in unlisted funds which in turn invest in liquid securities quoted on major stock exchanges. Fair value is estimated using the redemption price provided by the unlisted fund.
- Level 3: valuation techniques using unobservable inputs such as is required where the Group invests in unlisted entities or unlisted funds which in turn invest in unlisted entities.

The table below presents the Group's financial assets and liabilities measured at fair value according to the fair value hierarchy:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2023				
Magellan Fund investments ¹	289,075	62,132	-	351,207
Seed portfolios	3,918	1,096	-	5,014
Unlisted entities ²	-	-	695	695
Financial liabilities at fair value through profit or loss	-	(60,416)	-	(60,416)
Total financial assets and liabilities at fair value	292,993	2,812	695	296,500
30 June 2023				
Magellan Fund investments ¹	351,838	61,052	-	412,890
Seed portfolios	6,044	1,014	-	7,058
Unlisted entities ²	-	-	695	695
Financial liabilities at fair value through profit or loss	-	(159,855)	-	(159,855)
Total financial assets and liabilities at fair value	357,882	(97,789)	695	260,788

¹ Fair value is determined by reference to the fund's redemption unit price at reporting date and is categorised in level 2 given inputs into the redemption unit price are directly observable from published price quotations.

² Comprises a shareholding in an unlisted company for which management has assessed the investment cost is a reasonable approximation of fair value at reporting date.

There were no transfers between any fair value hierarchy levels during the six month periods ended 31 December 2023 and 30 June 2023. The Group's policy is to recognise transfers into and out of hierarchy levels as at the end of the reporting period.

The fair values of all other financial assets and liabilities approximate their carrying values in the Consolidated Statement of Financial Position.

Notes to the Financial Statements

For the half year ended 31 December 2023

9. Associates

Associate	Industry	Ownership interest		Investment carrying value	
		31 Dec 2023 %	30 Jun 2023 %	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Barrenjoey Capital Partners Group Holdings Pty Ltd ("Barrenjoey") ¹	Financial services	36	36	127,580	123,857
FinClear Holdings Ltd ("FinClear") ^{2,3}	Financial services	16	16	24,861	25,730
				152,441	149,587

¹ Barrenjoey is an Australian-based financial services firm providing corporate and strategic advisory, capital market underwriting, research, prime brokerage and fixed income services. The Group's voting interest in Barrenjoey is 4.99%.

² FinClear is an Australian-based provider of technology, trading infrastructure and exchange market-access services to wealth, stockbroking, platform and fintech customers. The Group's voting interest in FinClear is equal to its ownership interest.

³ Ownership interest reflects the Group's current entitlement and excludes the impact of any potential dilution arising from unexercised options issued by FinClear.

Transactions with Associates

The Group provides Barrenjoey with up to \$37,500,000 of unsecured working capital finance. During the half year ended 31 December 2023, no amounts were drawn under the facility (December 2022: nil aggregate drawings). Commitment fees earned in respect of the facility for the half year ended 31 December 2023 amounted to \$69,000 (December 2022: \$nil). The facility was entirely undrawn at 31 December 2023.

During the half year ended 31 December 2023, the Group received brokering services from Barrenjoey in respect of the Company's on-market MFG share buy-back programme and its on-market purchases of Magellan Global Fund options. The Group paid Barrenjoey \$68,000 in brokerage fees during the period ended 31 December 2023 (December 2022: \$15,000).

10. Contributed Equity

	31 December 2023		30 June 2023	
	Number of securities '000	Contributed equity \$'000	Number of securities '000	Contributed equity \$'000
Ordinary shares				
Opening balance	181,432	632,868	185,089	672,261
Shares issued:				
On exercise of MFG 2027 Options	-	-	-	6
Shares bought back on-market and cancelled	(397)	(2,780)	(3,657)	(39,487)
Transaction costs, net of tax	-	(2)	-	(27)
SPA expense	-	47	-	115
Total ordinary shares^{1,2}	181,035	630,133	181,432	632,868
Options				
Opening balance	23,216	(545)	23,216	(545)
Shares issued from exercise of options during period	-	-	-	-
Total options	23,216	(545)	23,216	(545)
Total contributed equity	204,251	629,588	204,648	632,323

¹ Includes 996,261 ordinary shares held by SPA participants (June 2023: 1,237,382).

² Includes 627,538 ordinary shares subject to voluntary escrow which expires in respect of 98,438 shares on 2 October each year until 2025 and in respect of 430,662 shares on 23 November 2031 (or such other date determined under the terms governing the issuance of those shares).

Ordinary Shares

Ordinary shares in the capital of the Company are fully paid and entitle the holder to receive declared dividends and proceeds on winding up of the Company in proportion to the number of shares held. An ordinary share entitles the holder to one vote on a show of hands, and to one vote for each share held on a poll, either in person, or by proxy, at a meeting of the Company shareholders.

Notes to the Financial Statements

For the half year ended 31 December 2023

MFG 2027 Options

Each MFG 2027 Option entitles the holder to acquire one ordinary share in the Company at an exercise price of \$35.00 at any time prior to 5pm (Sydney time) on 16 April 2027. The MFG 2027 Options do not confer a right to dividends. Ordinary shares issued on exercise of the Options rank equally with all other ordinary shares from the date of issue and are only entitled to a dividend if such shares have been issued on or prior to the applicable record date for determining entitlements.

A total of 23,218,530 MFG 2027 Options were issued by the Company on 14 April 2022. The MFG 2027 Options are listed on the ASX (ASX Code: MFGO).

Share Buy-back

The Company has an active on-market share buy-back program to purchase up to 10 million ordinary shares. During the six months to 31 December 2023, the Group bought back and cancelled 397,398 shares at a cost of \$2,780,000 (December 2022: 3,579,156 shares at a cost of \$38,885,000). The shares were acquired at an average price (inclusive of transaction costs) of \$7.00 per share, with prices ranging from \$6.91 to \$7.10. The total acquisition cost, inclusive of after-tax transaction costs, was deducted from contributed equity. The on-market buy-back program has a proposed end date of 3 April 2024.

11. Dividends

	Cents per share	Franking % ¹	Total \$'000	Date Paid
During the half year ended 31 December 2023				
Prior year final dividend paid	35.6	85%	64,590	7 September 2023
Prior year performance fee dividend paid	4.2	85%	7,620	7 September 2023
Prior year special dividend paid	30.0	85%	54,429	7 September 2023
Total dividends declared and paid during the half year²	69.8		126,639	
During the half year ended 31 December 2022				
Prior year final dividend paid	65.0	80%	120,308	6 September 2022
Prior year performance fee dividend paid	3.9	80%	7,218	6 September 2022
Total dividends declared and paid during the half year²	68.9		127,526	

¹ At the corporate tax rate of 30%.

² Includes dividends of \$859,000 which were not paid in cash but rather applied directly against the balances of SPA loans (December 2022: \$920,000).

Dividend Declared

On 15 February 2024, the Directors declared an interim dividend of 29.4 cents per ordinary share (50% franked at the corporate tax rate of 30%) in respect of the six months to 31 December 2023 (December 2022: 46.9 cents per ordinary share 85% franked).

A dividend payable to shareholders of the Company is only recognised for the amount of any dividend declared by the Directors on or before the end of the half year, but not paid at reporting date. Accordingly, the interim dividend totalling approximately \$53,224,000 is not recognised as a liability and is expected to be paid on 6 March 2024.

Imputation Credits

The Group has a total of \$6,024,000 imputation credits available for subsequent reporting periods based on a tax rate of 30% (June 2023: \$24,539,000 at a 30% tax rate). The amount comprises the balance of the imputation account at the end of the reporting period, adjusted for franking credits that will arise from the payment of income tax liabilities after the end of the half year. The dividend declared by the Directors on 15 February 2024 will be partially franked out of existing franking credits, or out of franking credits arising from the payment of income tax.

Notes to the Financial Statements

For the half year ended 31 December 2023

12. Commitments and Contingent Assets and Liabilities

Commitments

The Group has extended loan commitments to certain related parties which were undrawn at reporting date (refer to note 9). All other commitments relate to non-cancellable payments under short-term and low-value lease agreements.

Contingent Assets and Liabilities

The Group has contingent assets and liabilities in respect of the following items:

- *Dividend Reinvestment Plans of Magellan Funds:* In accordance with the terms of a deed entered into with MAM as responsible entity of Magellan Global Fund ("MGF"), the Group has agreed to pay MGF an amount equal to the MGF DRP discount. As a result, the Group has a contingent liability where MGF offers a discount to the NAV per unit on units issued under the MGF DRP in future periods. The quantum of the contingent liability is determined at each MGF distribution date and the amount is currently equal to a 7.5% discount to the NAV per unit multiplied by the number of units participating in the MGF DRP. It is not practical to estimate the future cost to the Group as there is uncertainty as to the level of participation in the MGF DRP, the NAV per unit and whether the MGF DRP will be offered.
- *Deferred conditional bonuses:* The unrecognised portion of annual bonuses payable to employees by the Group in the future is a contingent liability. At 31 December 2023, the contingent liability is \$4,275,000 (June 2023: \$8,203,000). Of this amount, \$231,000 would be payable during the year ending 30 June 2024 and \$4,044,000 would be payable during the years ending 30 June 2025 through 30 June 2026, subject to the vesting conditions being met.
- *Cash retention incentives:* The unrecognised portion of retention incentives payable in cash for services provided by employees in future periods is a contingent liability. At 31 December 2023, the contingent liability is \$10,139,000 (June 2023: \$5,722,000). Of this amount, \$427,000 would be payable during the year ending 30 June 2024, \$2,593,000 would be payable during the year ending 30 June 2025 and \$7,119,000 would be payable during the years ending 30 June 2026 through 30 June 2028, subject to the vesting conditions being met. These future payments include the additional retention incentives offered to current employees with outstanding SPP loans as announced on 25 October 2023.
- *Deferred proceeds in respect of GYG divestment:* During the 2022 financial year, the Group sold its shares in Guzman y Gomez (Holdings) Limited ("GYG") to an investment trust managed by Barrenjoey. As part of the transaction, the Group executed an agreement with Barrenjoey which would see the Group receive further consideration of up to \$6,117,000, net of \$125,000 in related arranging fees, subject to the performance of GYG and the realisation of the investment by the managed trust.

13. Subsequent Events

Other than the items noted below, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Interim Dividend

Refer to note 11 for details of the dividend declared in respect of the six months ended 31 December 2023.

Funds Under Management

On 6 February 2024, the Group announced on the ASX announcements platform that its funds under management was \$36.3 billion as at 31 January 2024.

MGF Options

Subsequent to 31 December 2023, the Group continued its on-market acquisition of MGF Options. As at the date of this report, the Group has acquired a further 101,000,584 Options at a price of 10 cents per Option, before transaction costs, which completes the 750 million program announced on the ASX in December 2023.

Directors' Declaration

For the half year ended 31 December 2023

In the Directors' opinion,

- a. the financial statements and notes set out on pages 17 to 32 are in accordance with the *Corporations Act 2001* (Cth), including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and
 - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving declarations from the Chief Executive Officer and Chief Financial Officer which mirror section 295A of the *Corporations Act 2001* (Cth) and are recommended by the ASX Corporate Governance Principles and Recommendations.

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



Andrew Formica
Executive Chairman

Sydney
15 February 2024

Independent auditor's review report to the members of Magellan Financial Group Limited

Conclusion

We have reviewed the accompanying interim financial report of Magellan Financial Group Limited ("the Company") and its subsidiaries (collectively, "the Group"), which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, 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 Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and
- b. 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 Group 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

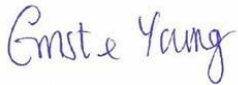
The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation 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 Group'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
15 February 2024

Corporate Information

As at 15 February 2024

Directors

Andrew Formica – Executive Chairman
Hamish McLennan – Deputy Chairman
David Dixon – Deputy Chairman of MAM
John Eales AM
Cathy Kovacs
Deborah Page AM

Company Secretary

Marcia Venegas

Registered Office

Level 36, 25 Martin Place, Sydney NSW 2000
Telephone: +61 2 9235 4888
Email: info@magellangroup.com.au

Website

www.magellangroup.com.au

Securities Exchange Listing

Magellan Financial Group Limited shares and options are listed on the Australian Securities Exchange (ASX: MFG and MFGO)

Corporate Governance Statement

The Corporate Governance Statement for MFG can be found at the Shareholder Centre at www.magellangroup.com.au

Auditor

Ernst & Young
200 George Street, Sydney NSW 2000

Share Registry

Boardroom Pty Limited
Level 8, 210 George Street, Sydney NSW 2000
Telephone: +61 2 9290 9600
Email: enquiries@boardroomlimited.com.au

InvestorServe is Boardroom's free, self-service website where shareholders can manage their interests online. The website enables shareholders to:

- view share balances
- change address details
- view payment and tax information
- update payment instructions
- update communication instructions.

Shareholders and option holders can register their email address at www.boardroomlimited.com.au to receive shareholder communications electronically.

Electronic delivery of CHESS holding statements and notifications

The ASX has now launched the ASX CHESS Statements Portal, giving share and option holders the ability to receive electronic notifications about their holdings. This shift away from paper-based communications may make it easier for investors to manage their holdings, and benefit the environment by reducing waste.

To access the portal and electronic notifications, investors will need their broker to opt them in. Investors should contact their broker to see if they have this service enabled. If an investor has not opted in, they will continue to receive CHESS holding statements and notifications by mail. Once an investor has opted in, investor statements and notifications will be available through the ASX CHESS Statements Portal and they will no longer receive paper statements.