

# Chairman's Letter

Dear Shareholder,

Please find enclosed the Notice of Meeting for the 2023 Annual General Meeting ("AGM") of Magellan Financial Group Ltd ("Magellan" or "Company"). The AGM will take place on Wednesday, 8 November 2023, at 10:30am AEDT in the Heritage Ballroom at the Fullerton Hotel Sydney, No. 1 Martin Place (Lobby Level), Sydney NSW 2000. A livestream will also be available. I encourage you to read the Notice of Meeting, which explains the resolutions that will be put to the AGM along with the recommendations of the Board.

It is my pleasure to be writing to you as Chair of Magellan and am honoured to be entrusted with the responsibility of guiding Magellan forward. I am deeply motivated to return Magellan to a growth footing and, together with my fellow directors, firmly believe that Magellan is well-positioned for success.

## Strategy and Business Update

The 2023 financial year (FY23) was the first year of our five-year strategy to position Magellan for the next phase of its evolution from a founder led business into a more diversified global fund manager of scale that, through the delivery of exceptional investment performance for our clients, seeks to deliver sustainable growth and attractive shareholder returns. Our immediate priority has been to provide excellent service to our clients and deliver on our investment objectives across our three primary strategies (Global Equities, Infrastructure Equities and Australian Equities) with \$39.0 billion of Funds under Management as at 31 August 2023.

In parallel with improving performance across our existing funds, we will leverage Magellan's high quality platform to deliver growth by expanding our offerings in ways that are additive and do not dilute Magellan's existing strengths. During FY23 we announced our new Energy Transition Investment Strategy, the relaunch in March of our Magellan Core Series and the launch of our new Airlie Small Companies Fund. While it will take time for these investment strategies to develop and grow, they have received positive initial feedback and interest to date. We will also look forward to the future needs of our clients and seek to expand Magellan's platform, in a value-enhancing manner, as appropriate opportunities arise.

Our strategy is underpinned by ongoing disciplined cost and capital management, and alignment of our employee value proposition with client and shareholder outcomes. We will continue to balance our disciplined approach to cost management with investing to support client outcomes.

I am pleased to report that Magellan remains in a strong financial position with \$853.7 million of Net Tangible Assets at 30 June 2023, including investments in funds and associates totalling \$571.9 million, no debt and strong net cash flows from operating activities of \$186.6 million for FY23.

## Capital Management

Enhancing shareholder value remains a key area of focus and throughout FY23 several capital management initiatives were implemented that were aligned to our objectives of focusing on Magellan's core funds management business, delivering capital efficiency, and attractive sustainable returns to shareholders.

On 3 April 2023, we extended our on-market buyback program to 3 April 2024. As at 30 June 2023, we had acquired approximately 4.3 million shares at a cost of approximately \$47 million. We expect to continue to deploy the buy-back through the 2024 financial year.

The Board also declared total dividends for the 2023 financial year of \$1.167 per share, 85% franked, comprising ordinary dividends of 86.7 cents per share (representing a payout ratio of 95% of net profit after tax of the Group's Funds Management business) and a Special Dividend of 30.0 cents per share.

The Board remains committed to disciplined capital management whilst acknowledging a strong balance sheet provides strategic flexibility and will continue to review the company's capital requirements in line with these core objectives.

## Our People

As we focus on the future a key priority has been to refresh and reaffirm our culture to drive high performance and career development and align teams to the long-term success of Magellan. During the year we launched the refreshed Magellan Values: *'Put clients first, Take ownership, Be authentic and Succeed together'*. We have continued our focus on ensuring diversity and inclusion throughout the business with 44% female representation in the senior management team and 48% at a Group level.

We recognise that our people are our most valued asset and to this end accelerated the staff retention program announced in March 2022, bringing forward the cash retention payments by one year, to September 2023 and September 2024 respectively to allow our employees to remain focused on clients and the business during a period of change. This has helped optimise their value as incentives and together with the Magellan dividends paid on shares held by employees have assisted in reducing the employee loans under the Employee Share Purchase Plan (ESPP). As at 30 June 2023, 61% of our employees had ESPP loans outstanding. After the final cash retention payment in September 2024 the outstanding balance of employee loans will be significantly reduced.

We are also continuing development of a new accountability and alignment model designed to ensure our employee value proposition is compelling and staff are aligned to delivering positive client and shareholder outcomes.

## Governance & Board Update

I am pleased to report that the Board renewal process commenced in November 2022 is now complete.

The Magellan Board has welcomed David Dixon (December 2022), myself (July 2023), Deborah Page (October 2023) and Cathy Kovacs (with effect 6 November 2023).

These appointments have sought to ensure the Board has the right skill mix, expertise, independence, and diversity to support Magellan's growth. The Board will be comprised of six independent non-executive directors, of which 33% are female in line with our gender diversity target, and one executive director. Importantly, we have added significant funds management experience to the Board and have balanced renewal and fresh perspectives with corporate knowledge retention.

I would like to thank retired directors Karen Phin and Robert Fraser and retiring director Colette Garnsey for their commitment and contribution to Magellan over the years.

### Looking Forward

I am excited for the next chapter of Magellan's growth as we continue the journey to restore Magellan to its rightful place as Australia's leading fund manager. Magellan has a long history of putting clients first, an approach that is critical to the success of any funds management organisation and will serve us well as we look to the future.

Thank you for your ongoing support of Magellan and I look forward to meeting those who can attend our AGM.

Yours sincerely,

**Andrew Formica**  
Chairman