

Magellan Core Global Fund

(MANAGED FUND) (TICKER: MCSG)

A diversified global equity portfolio of 70-90 of the world's best companies

PORTFOLIO MANAGER **ELISA DI MARCO** **ARSN 645 515 082** **APIR MGE381AU** **AS AT 30 JUNE 2024**

INVESTMENT PHILOSOPHY

To invest in outstanding companies and seek attractive risk-adjusted returns by utilising Magellan's long standing investment process to identify quality companies.

OBJECTIVES

The Fund's primary investment objective is to achieve attractive risk-adjusted returns over the medium to long term through investment in a diversified portfolio of high quality companies.

PORTFOLIO CONSTRUCTION

An actively managed, research driven and competitively priced portfolio of 70-90 of the world's highest quality businesses. The Fund leverages Magellan's DNA, that is Magellan's proprietary definition of quality, ESG framework, investment process and investment team.

Typical cash and cash equivalents exposure between 0-5%.

INVESTMENT RISKS

All investments carry risk. While it is not possible to identify every risk relevant to an investment in the Fund, we have provided details of risks in the Product Disclosure Statement. You can view the PDS for the Fund on Magellan's website www.magellangroup.com.au.

WHY QUALITY?

We aim to invest in companies that have sustained competitive advantages, which permits the company to generate returns on capital in excess of its cost of capital for a sustained period of time ("quality"). Companies with these attributes may reduce the risk of permanent capital loss. Active fundamental research and continuous monitoring are key to our determination of whether or not a company is 'quality'. We consider quality companies are more likely to withstand market cycles, and compound returns for investors.

MAGELLAN CORE GLOBAL FUND: KEY PORTFOLIO INFORMATION

TICKER	FUND SIZE	NAV PER UNIT [#]	BUY/SELL SPREAD ¹	MANAGEMENT FEES ²
MCSG	AUD \$27.1 million	\$4.4591 per unit	0.10% / 0.10%	0.51% p.a.

PERFORMANCE³

	1 MONTH (%)	3 MONTHS (%)	6 MONTHS (%)	1 YEAR (%)	3 YEARS (% p.a.)	Since Inception (% p.a.)
Fund	2.0	-1.8	8.6	11.1	7.9	10.7
Index*	1.6	0.3	14.2	19.8	11.1	13.9
Excess	0.4	-2.1	-5.6	-8.7	-3.2	-3.2

INCEPTION DATE 11 DECEMBER 2020

CALENDAR YEAR RETURNS	CYTD (%)	2023 (%)	2022 (%)	2021 (%)	2020 (part year)
Fund	8.6	21.7	-14.4	27.3	-0.2
Index*	14.2	23.0	-12.2	29.3	-0.3
Excess	-5.6	-1.3	-2.2	-2.0	0.1

Past performance is not a reliable indicator of future performance.

TOP 10 HOLDINGS

Company	Sector ⁴	%
Amazon.com Inc	E-Commerce	3.11
Home Depot Inc	Food & Staples Retailing	3.05
Netflix Inc	Consumer Platforms	3.01
Eli Lilly & Company	Health Care	3.01
Microsoft Corporation	Software	2.97
Alphabet Inc	Consumer Platforms	2.97
Novo Nordisk ADR	Health Care	2.92
Mastercard Inc	Payments	2.91
Visa Inc	Payments	2.88
SAP SE	Software	2.87
TOTAL:		29.70

PERFORMANCE CHART GROWTH OF AUD \$10,000³



Past performance is not a reliable indicator of future performance.

¹ Only applicable to investors who apply for units directly with the Responsible Entity.

² Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.

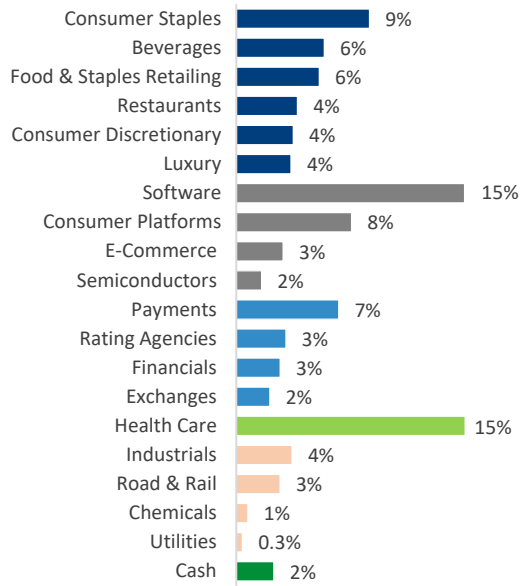
³ Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

⁴ Sectors are internally defined.

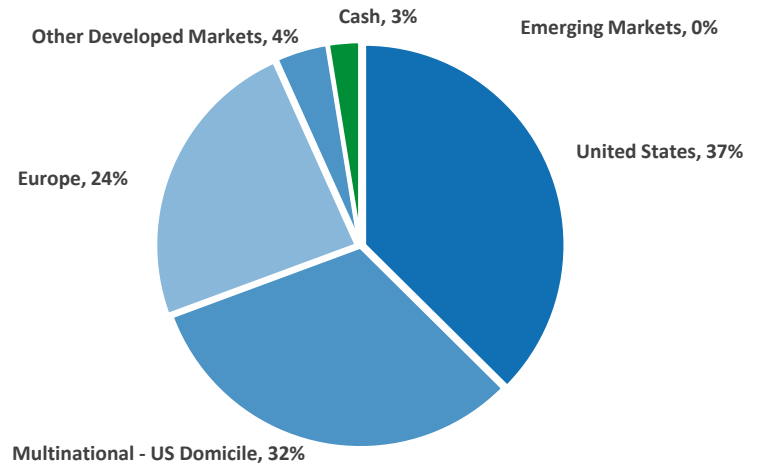
[#] NAV price is cum distribution and therefore includes the distribution of \$0.0768 per unit payable on 19 July 2024.

* MSCI World Net Total Return Index (AUD). All MSCI data used is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI and its affiliates assume no liability for or in connection with the data. Please see complete disclaimer in www.magellangroup.com.au/funds/benchmark-information/

PORTFOLIO SNAPSHOT⁵



GEOGRAPHIC COMPOSITION⁵



A SELECTION OF QUALITY PORTFOLIO HOLDINGS



The company logos above represent a selection of securities held by the Fund (in no specific order) as at 30 June 2024.

⁵ Sectors and geographic compositions are internally defined. Exposures are calculated on a look through basis based on underlying revenue exposure of individual companies held within the portfolio. Exposures may not sum to 100% due to rounding. Past performance is not a reliable indicator of future performance.

Market Commentary

3 months

During the June quarter the MSCI World Index gained 2.6% in USD and 0.3% in AUD. Markets globally diverged with returns being driven by two distinct themes: 1) central banks and governments balancing a slowing of inflation with economic data prints and gauging the right level for interest rates, and 2) continued optimism around the building of infrastructure (chips, data centres) for Generative Artificial Intelligence. Companies that are well positioned to benefit from these new growth opportunities performed well while companies more at risk if demand growth slows too much were weaker. Consequentially, Information Technology (+11.4%) and Communication Services (+8.1%) were by far the strongest sectors in June quarter, while economic sensitives gave back some of the first quarter gains, with Materials (-3.5%), Consumer Discretionary (-2.3%), Industrials (-2.2%), Energy (-1.3%) and Financials (-0.4%) all lower.

The huge investments, an arms race, to build capacity and capability in Artificial Intelligence rolled on this quarter and share prices followed. US markets were strongest regionally, given it is the home to most major technology companies, with the Nasdaq Composite up 8.3%, followed by the S&P 500 index up 3.9%. Decoupling trends further accelerated as the US imposed tariffs on China's electric vehicles and further limited China's access to semiconductor-related equipment. The US election in November 2024 is filling much column space, but we do not see many areas of truly material policy differences. Most, including us, see Trump's more likely policies as broadly more positive for US corporates and thus equity investors.

After a 20% gain in the March quarter, Japan's Nikkei 225 index dipped 2% in the June quarter. In March the Bank of Japan raised rates from -0.1% to a range of 0.0%-0.1%, the first rise in 17 years and its first move out of negative rates in eight years. The bank hopes to protect the Yen from further devaluation and cool its above-target 2.8% inflation. Unions have successfully been bargaining for higher wages.

Europe's Euro Stoxx 600 index was broadly flat in the quarter, down by 0.2%. President Macron called a snap election in France, causing a sharp sell-off in French bonds and stocks on concerns of a right-wing government gaining control. Europe's recovery is in its early stages with the EU and UK growth turning positive and disinflation bringing inflation to 2.5% in the EU and 2% in the UK, good news for policy makers. Indeed, the ECB cut its policy rate by 25bp in June. The EU and UK unemployment rates were 6% and 4.4% respectively in May 2024. The German 10-year Bunds rose to 2.5% from lows just under 2% in December 2023.

Australia's ASX 200 was down 1.1%.

In China the CSI 300 index fell 3.3% as policy support remained modest. Economic activity was led by improving exports while the consumer remains cautious, preferring to save rather than spend. May data showed retail sales rose 3.7% year on year, exports rose 7.6% year on year and the USD CNY remains above 7.2. The Third Plenum begins on July 15 where China's government lays out its long-term growth target.

12 months

The MSCI World Index rose strongly this past year, by 20.2% in USD and 19.8% in AUD, fuelled by the significant investments being made to unlock the productivity and growth opportunities that will be enabled by AI and Generative Artificial Intelligence. At the same time, economic growth has held up well, particularly in the US, despite tight monetary policy around the world to bring inflation back down to acceptable levels of closer to 2%. This reflected an improving outlook in many cyclical sectors as both fiscal policy and strong corporate spending have driven growth.

All sectors rose in local currency terms, with Information Technology (+38.8%) and Communication Services (+38.2%) clear beneficiaries of the strengthening growth anticipated from AI, followed by Financials (+25.0%), Industrials (+17.7%) and Energy (+16.4%) revealing the expectations of cyclical recovery. The weakest sectors were Consumer Staples (+2.8%) and Utilities (+5.7%).

The S&P 500 index (USD) added 22.7% and the Nasdaq gained 28.9% in the year to end June 2024. The top five S&P 500 stocks are Microsoft, Apple, Nvidia, Alphabet and Amazon and the impressive performance has rested largely on these stocks. All are important players in driving technological innovation. The Federal Reserve has kept rates at 5.5% in seven consecutive meetings, with the last 25 basis points hike in July 2023. The consumer price index measured inflation at 3.3% in the 12 months to May, down from 4.1% a year earlier while the Core PCE (which the Fed focuses on) resumed slowing in May (after three stable months at 2.8%) hitting 2.6%. The 10-year US Treasury yield finished the year at 4.4%.

Europe's Euro Stoxx 600 index (EUR) rose 10.7% for the year. After weakening up to October 2023, markets turned as it became clearer that disinflation was taking hold and the growth slowdown would not become a significant economic downturn. Food and energy prices, which had been particularly painful for Europeans, fell back quickly while household wealth is improving modestly. Household disposable incomes are rising at ~5.8% with employee compensation rising at a similar rate. European Union and China trade relations became increasingly difficult over the past year, and this could have profound impacts on multinationals operating across both jurisdictions. Tariffs on Chinese EVs and other measures seem likely as the EU tries to derisk its economy and supply chains.

Japanese shares had another strong year, as the Nikkei 225 index advanced 19.3% in Yen (7% in USD). The Japanese share market has benefited from improved corporate governance, a weak Yen benefiting exporters (such as its car industry) and changes in regulations on investment accounts that have also boosted share purchases. In March 2023, the Tokyo Stock Exchange (TSE) requested companies to take "action to implement management that is conscious of the cost of capital and stock price". The evidence of changes is increasingly widespread and has been a material factor in boosting shareholder returns in Japan.

China's CSI 300 index fell 9.9% over the year, though has been closer to flat in the past six months. China's growth outlook has stabilised as exports are picking up to fill the gap being left by weak domestic consumption. This is tied to poor consumer confidence, as much household wealth remains

tyed to real estate where prices continue to fall as the market digests oversupply.

Australia's ASX 200 index (AUD) ended the year up 12.1% after a strong first half with a relatively stable currency at around 66c. Australia's economic growth has remained positive but weak, while population growth is strong (up 2.5% as last measured in December 2023 due principally to net migration) and inflation is easing, slowly. Unemployment is low and labour markets tight, so wage inflation is holding at around 4%.

Fund Commentary

3 months

The portfolio recorded a negative return for the quarter in Australian dollars. The biggest contributors included the investments in Apple, Alphabet and Eli Lilly. Apple performed strongly following their annual developers conference, which showcased new AI features. The news was incrementally positive from a competitive standpoint and for overall iPhone demand. Alphabet also benefited from AI announcements, with strong messaging about navigating AI in search and new AI features. Eli Lilly benefited from continued positive traction on clinical trial data readouts. Positive data contributes to incremental traction/conviction on broader reimbursement from commercial/government payers.

The biggest detractors in the quarter were LVMH, Home Depot and Salesforce. The luxury sector has been negatively affected by a worsening outlook for Chinese consumer confidence and consumption activity, as well as concerns regarding ongoing demand normalisation in Western markets after multiple years of strong sector growth. A change in rate expectations caused home improvement retailers to underperform, including Home Depot. Salesforce underperformed with quarterly bookings normalising after two strong quarters.

12 months

The portfolio recorded a positive return for the year in Australian dollars. The biggest contributors included the investments in Amazon, Costco and Alphabet. Amazon benefited from a compelling outlook associated with reaccelerating growth in Cloud, with AI adding fuel to the long-term opportunity apparent for each. Similar to the quarter, Alphabet benefited from opportunities in AI. Costco's strong value-for-money positioning has supported solid sales growth and market share gains in a year where consumers have come under increasing pressure.

The biggest detractors in the quarter were from the consumer sector including LVMH, Nestlé and Nike. The luxury sector has been negatively affected by a worsening outlook for Chinese consumer confidence and consumption activity, as well as concerns regarding ongoing demand normalisation in Western markets after multiple years of strong sector growth. Nestlé's share price has underperformed due to an outage in its vitamins business caused by SAP integration issues that caused the company to lower its 2024 growth outlook. Volume growth has also

remained subdued owing to consumer downtrading from inflation. Nestlé has implemented a number of strategic initiatives to ensure volume growth from 3Q24. Nike's performance over the last year has been affected by a pull-back in consumer discretionary spending and a highly promotional sportswear marketplace, strong execution by competitors in running and lifestyle categories, and a sluggish recovery in its higher-margin China business. The company is expected to provide the market with an updated outlook for its medium-term growth plans at its Investor Day in November.

Index movements and stock contributors/detractors are based in local currency terms unless stated otherwise.

Portfolio Positioning

The fund's strategy is based on Magellan's forward-looking researched definition of 'quality'. This definition is actively monitored by the investment team, and an active input in the rules-based portfolio construction process. The portfolio is determined by selecting the top 80-90 companies, while allowing for diversification, from our Investment Committee-approved quality universe. Changes to portfolio holdings are driven by additions to or deletions from our approved list of 'quality' companies and changes in our view of quality. When our view on quality strengthens, the company is ranked higher and more likely to be included in the portfolio. When our view on quality deteriorates, the company is ranked lower, and is more likely to be downweighted or excluded from the portfolio. Over the past 12 months, Eli Lilly and Novo Nordisk were added to the portfolio following quality score reviews, which led to a higher ranking within the approved universe. During the same period, Disney was removed from the portfolio following a review, which led to a lower quality score and hence a lower ranking within the approved universe. RELX and Sandoz were removed from the portfolio on relative scoring grounds as new companies entered our quality universe.

Outlook

Similar to last quarter, inflation continues to slow steadily. Given this, we view that interest rates have likely peaked; however, the slow pace of inflation deceleration is unlikely to see rates lower quickly. We continue to view a soft landing as our base case, given the resilience of the labour market. We do note that there are pockets of weakness in the consumer, especially at the lower-income end, which we continue to monitor for any signs of weakness.

The fund is designed to achieve attractive risk-adjusted returns over the medium to long term. We have confidence given our definition of quality and the rules-based portfolio construction process. Magellan's definition of quality identifies companies with unique attributes that enable the business to generate attractive and sustainable returns. This

definition is valuable through the cycle for several reasons: 1) quality companies tend to reinvest through the cycle, often leading to a stronger company on a relative basis when the cycle turns; 2) when defining quality, we look for favourable trends in business quality, alongside structural tailwinds, or defensive characteristics; and, 3) where uncertainty is present, greater certainty in cash flows is valuable to shareholders. We actively monitor this definition of quality, ensuring our view is forward looking.

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