

Magellan Sustainable Fund (Managed Fund)

 ARSN: 645 516 187
 APIR: MGE4669AU

Ticker: MSUF

Fund Features

- A high conviction (20-50 securities), high quality focus, low turnover portfolio.
- Designed for capital preservation in adverse markets, whilst delivering attractive absolute risk-adjusted returns through the economic cycle.
- Portfolio construction incorporates detailed macroeconomic analyses to capture opportunities whilst mitigating risks, alongside the application of both fixed and dynamic risk limits.
- Investors can buy or sell units on Chi-X like any other listed security or apply and redeem directly with the Responsible Entity.

Fund Facts

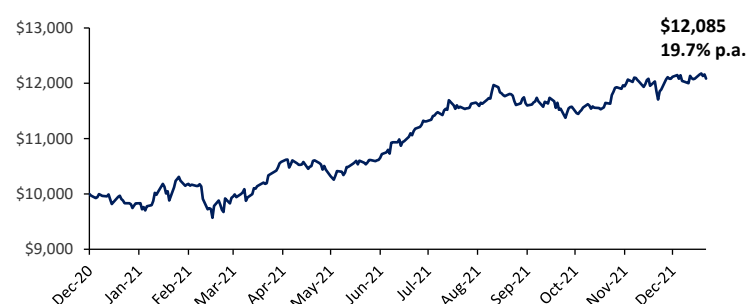
Portfolio Manager	Domenico Giuliano	
Structure	Global Equity Fund, A\$ Unhedged	
Inception Date	11 December 2020	
Management Fee ¹	1.35% per annum	
Buy/Sell Spread ^{1,2}	0.10%/0.10%	
Minimum Investment Size ²	AUD\$10,000	
Fund Size / NAV Price	AUD \$9.6 million / \$2.9626 per unit ²	
Distribution Frequency	Semi-annually	
Performance Fee ¹	10.0% of the excess return of the units of the Fund above the higher of the Index Relative Hurdle (MSCI World Net Total Return Index (AUD)) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). Additionally, the Performance Fees are subject to a high water mark.	
iNAV tickers	Solactive iNAV	ICE iNAV
Bloomberg (MSUF AU Equity)	MSUFAIV	MSUFAUIV Index
Refinitive (MSUF.CHA)	MSUFAUDINAV=SOLA	MSUFAUiv.P
IRESS (MSUF.CXA)	MSUFAUDINAV	MSUF-AUINAV.NGIF
Carbon Intensity (CO ₂ /US\$1m revenue)	Fund: 18	Index ⁺ : 129

¹All fees are inclusive of the net effect of GST; ²Only applicable to investors who apply for units directly with the Responsible Entity; ³NAV price is cum distribution and therefore includes the distribution of \$0.05 per unit payable on 19 January 2022.

Fund Performance*

	Fund (%)	Index (%) ⁺	Excess (%)
1 Month	2.0	1.7	0.3
3 Months	4.9	7.1	-2.2
1 Year	22.3	29.3	-7.0
Since Inception (p.a.)	19.7	27.3	-7.6

Performance Chart growth of AUD \$10,000*



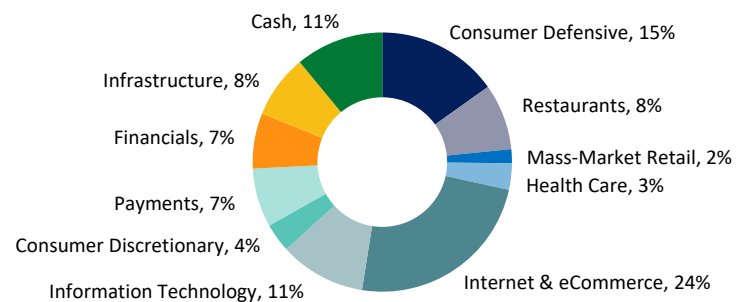
Environmental, Social, Governance and Low Carbon

- Integrated proprietary ESG risk assessment process and low carbon framework.
- Companies with material exposures to businesses considered detrimental to society or environment are removed from the universe, including exposures to tobacco, alcohol, gambling, adult entertainment and weapons, amongst other exposures as determined from time to time by Magellan.
- Companies are reviewed for the materiality of their exposures to environmental, social and governance issues, with assessments incorporated into our perspectives on business risks.
- We overlay our proprietary Low Carbon framework to deliver a portfolio with much lower carbon risk exposure than world markets.

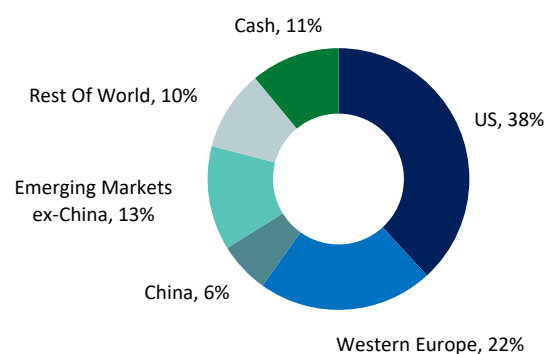
Top 10 Holdings

	Sector [#]	%
Microsoft Corporation	Information Technology	7.7
Alphabet Inc	Internet & eCommerce	7.5
Meta Platforms Inc	Internet & eCommerce	6.2
McDonald's Corporation	Restaurants	4.4
Netflix Inc	Internet & eCommerce	4.3
Visa Inc	Payments	4.1
Yum! Brands Inc	Restaurants	3.9
Nestle SA	Consumer Defensive	3.5
Alibaba Group Holding Ltd	Internet & eCommerce	3.4
Reckitt Benckiser Group	Consumer Defensive	3.3
TOTAL:		48.3

Sector Exposure by Source of Revenue[#]



Geographical Exposure by Source of Revenue[#]



* 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). Fund Inception 11 December 2020. Returns denoted in AUD.

⁺ Benchmark is the MSCI World NTR Index (AUD).

[#] Sectors are internally defined. Geographical exposure is 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.

Market Commentary

Global stocks surged to record highs in the December quarter as concerns abated about the economic damage of the new Omicron covid-19 variant, US companies posted stellar earnings reports, and US Congress postponed a debt-ceiling showdown and passed more stimulus. The rise occurred even though the Federal Reserve decided to reduce its asset purchases after US inflation reached a 39-year high and inflation accelerated worldwide. During the quarter, 10 of the 11 sectors rose in US-dollar terms. Information technology (+13.2%) rose the most while communication services (-1.7%) was the sector that fell. The Morgan Stanley Capital International World Index rallied 7.8% in US dollars, to be up 21.8% for 2021. In Australian dollars, the index gained 7.1% in the quarter and 29.3% over the year.

US stocks climbed as better jobless numbers and encouraging reports on earnings, especially from the banks and Big Tech, prompted investors to brush aside concerns that inflation is being entrenched. A report showed consumer prices climbed 6.8% in the 12 months to November, the most since 1982. In response, the Federal Reserve said it would accelerate its 'tapering' of monthly bond purchases. The central bank said it would prune its asset buying such that in January it would buy only US\$60 billion of Treasuries and mortgage-backed securities compared with US\$120 billion a month pre-tapering, while most Fed policymakers said they were prepared to raise the US cash rate three times in 2022. While reports showed an economy at full employment (the jobless rate fell to a pandemic low of 4.2% in November), the US economy expanded at a revised annualised rate of only 2.3% during the September quarter. In political news, the House of Representatives, over the unanimous opposition of Republicans, passed the US\$2.2 trillion Build Back Better Act only for the centrepiece of President Joe Biden's domestic agenda to be blocked in the Democrat-controlled Senate. The House, with some Republican support, approved a US\$1.2 trillion infrastructure package that had already passed the Senate. A proposal to raise the federal government's borrowing limit by US\$2.5 trillion passed both chambers of Congress just before the December 15 deadline. The S&P 500 Index soared 10.6%, to up 26.9% for 2021.

European stocks advanced on encouraging earnings results and improved economic news. A report showed the eurozone economy expanded 2.2% in the September quarter after pandemic restrictions eased, the same speed it grew in the June quarter. A report that showed eurozone inflation reached 4.9% in the 12 months to November proved no dampener after the European Central Bank indicated it would not overreact to rising prices. The Euro Stoxx 50 Index added 6.2% over the quarter and 21% over 2021.

Japan's Nikkei 225 Index lost 2.2% in the quarter, reducing 2021's gain to 4.9%, as the new covid-19 variant prompted authorities to close the national border to foreigners and a report showed the economy shrank a larger-than-expected 0.9% in the September quarter, a contraction that prompted the re-elected Liberal Democrat government to promise US\$350 billion in fresh fiscal stimulus. Australia's S&P/ASX 200 Accumulation Index rose 2.1% over the quarter (and 17.2% over 2021) as iron ore prices recovered and governments eased pandemic restrictions.

China's CSI 300 Index edged up 1.5% over the quarter (to be down 5.2% for 2021) on talk the regulatory crackdown on tech stocks has peaked. A report showed the pandemic had slowed economic growth to a 12-month rate of 4.9% in the September quarter. The MSCI Emerging Markets Index shed 1.7% in US dollars over the quarter and 4.6% over the year as emerging countries were hit harder by the new variant.

Index movements are in local currency terms.

Fund Commentary

The portfolio recorded a positive return in the quarter. The biggest contributors included the investments in Microsoft, Lowe's and Alphabet. Microsoft surged on a 22% jump in revenue for the third quarter as its cloud business benefited from the global shift to remote work. Lowe's gained after the home-improvement chain announced a recovery to same-store growth in the September quarter (of 3%), following a decline in the previous three months, and boosted its share buyback by US\$3 billion. Alphabet rose after the owner of Google enjoyed its highest sales growth in 14 years – a jump of 41% to US\$65.1 billion – and nearly doubled its profit in the third quarter as businesses chased consumers whose purchases shifted online during another spate of covid-19 infections.

The biggest detractors were the investments in Alibaba Group and Aena of Spain. Alibaba dropped after the Chinese tech company announced sales figures that disappointed for a second straight quarter and lowered its fiscal outlook for 2022, which fanned concerns about slowing consumer spending in China. Still, Alibaba announced a 29% rise in revenue for the September quarter and forecast 20% to 23% growth in fiscal 2022 revenue, rather than the 27% analysts were expecting. Aena, the world's largest operator of airports, fell as the new covid-19 variant disrupted travel plans.

Stock contributors/detractors are based in local currency terms unless stated otherwise.

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