



MAGELLAN
ASSET MANAGEMENT LIMITED

Interim Financial Reports

for the half year ended 31 December 2015

MAGELLAN GLOBAL FUND: ABN 18 387 878 844

MAGELLAN GLOBAL FUND (HEDGED): ABN 72 263 210 345

MAGELLAN HIGH CONVICTION FUND: ABN 20 120 243 491

MAGELLAN INFRASTRUCTURE FUND: ABN 64 144 747 279

MAGELLAN INFRASTRUCTURE FUND (UNHEDGED): ABN 79 874 701 620

Contents

Responsible Entity's Report.....	3
Auditor's Independence Declaration	7
Statements of Profit or Loss and Other Comprehensive Income	8
Statements of Financial Position.....	9
Statements of Changes in Equity.....	10
Statements of Cash Flows.....	11
Notes to the Financial Statements	12
Directors' Declaration	20
Independent Auditor's Report	21
Corporate Information.....	23

Responsible Entity's Report

for the half year ended 31 December 2015

The Directors of Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946), the Responsible Entity of Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds") present their reports on the Funds for the half year ended 31 December 2015.

1.0 Directors

The following persons were Directors of MAM during the year and up to the date of these reports:

Name	Directorship	Appointed
Brett Cairns	Executive Chairman	22 Jan 2007
Hamish Douglass	Chief Executive Officer	21 Nov 2006
Robert Fraser	Independent Non-executive Director	23 Apr 2014
Paul Lewis	Independent Non-executive Director	20 Dec 2006
Karen Phin	Independent Non-executive Director	23 Apr 2014

1.1 Principal activity

The Funds are registered managed investment schemes domiciled in Australia, with a principal place of business at Level 7, 1 Castlereagh Street, Sydney, New South Wales 2000.

Magellan Global Fund (MGF) is a quality-focused, long-only unit trust that invests in a concentrated portfolio of global equities which spans sectors including financial services, consumer and retail, health care, pharmaceutical, telecommunications, computer hardware and software, internet related products and services, and e-commerce. The investment objective of MGF is to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 16 June 2014. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially unhedged.

Magellan Global Fund (Hedged) (MGFH) has the same investment strategy as MGF, except that the capital component of the foreign currency exposure, arising from investment in overseas markets, is substantially hedged. The investment strategy is detailed in the current Product Disclosure Statement, issued 16 June 2014.

Magellan High Conviction Fund (MHCF) is a quality-focused, long-only unit trust that invests in a highly concentrated portfolio of global equities which spans sectors including financial services, retail, health care, computer hardware and software, internet related products and services, and e-commerce. The investment objective of MHCF is to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, managing a higher tolerance in volatility in investment returns, with the ability to manage foreign exchange exposures. The fund is targeted towards more sophisticated higher net worth retail investors. The fund's investment strategy is detailed in the current Product Disclosure Statement, issued 16 June 2014.

Magellan Infrastructure Fund (MIF) invests in listed entities on any stock exchange whose primary business is the ownership and operation of infrastructure assets, such as roads and airports, water and sewage, energy, logistics, and communications infrastructure, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 1 January 2015. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially hedged.

Magellan Infrastructure Fund (Unhedged) (MIFU) invests in infrastructure securities listed on any stock exchange. MIFU aims to achieve attractive risk-adjusted returns over the medium to long-term, while reducing the risk of permanent capital loss, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 1 January 2015. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially unhedged.

Responsible Entity's Report

for the half year ended 31 December 2015

1.2 Significant changes in state of affairs

There were no significant changes in the Funds' activities during the half year.

1.3 Review of operations

a) Financial results for the half year

The performance of the Funds, as represented by the results of their operations for the relevant half year ended 31 December, was as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Results										
Total net investment income (\$'000)	433,140	1,095,664	3,985	3,915	13,368	37,653	67,315	65,280	21,527	16,858
Total expenses (\$'000)	85,786	73,343	1,646	460	2,400	4,283	10,632	6,589	3,433	788
Net operating profit (\$'000)	347,354	1,022,321	2,339	3,455	10,968	33,370	56,683	58,691	18,094	16,070
Distributions										
Distribution paid and payable to unitholders (\$'000)	-	-	-	-	-	-	8,341	5,987	2,730	1,024
Distribution paid and payable (cents per unit)	-	-	-	-	-	-	1.2000	0.9400	1.5000	1.0000
Redemption unit price (ex-distribution) (\$)	1.9707	1.9317	1.2670	1.2127	1.4916	1.3751	1.1988	1.1138	1.5158	1.3676
Unit prices (net asset value) (ex-distribution) (\$)	1.9727	1.9336	1.2683	1.2139	1.4931	1.3765	1.2006	1.1155	1.5181	1.3697

b) Total Indirect Cost Ratio

The Total Indirect Cost Ratio (ICR), shown below, is the ratio of the Funds' management costs over their average gross assets attributable to unitholders, expressed as a percentage, for the half year ended 31 December 2015 and the year ended 31 December 2015. Management costs, accrued within the Funds' unit prices on a daily basis, include management fees and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax. The base management fee per annum, for each Fund is shown in the table below, headed 12 months to 31 Dec 2015.

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	6 months to 31 Dec 2015	12 months to 31 Dec 2015	6 months to 31 Dec 2015	12 months to 31 Dec 2015	6 months to 31 Dec 2015	12 months to 31 Dec 2015	6 months to 31 Dec 2015	12 months to 31 Dec 2015	6 months to 31 Dec 2015	12 months to 31 Dec 2015
Indirect cost ratio										
Management fee	0.68	1.35	0.68	1.35	0.76	1.50	0.53	1.06	0.53	1.06
Performance fee	0.30	0.34	-	-	0.01	0.33	0.58	0.77	0.71	0.95
Total indirect cost ratio	0.98	1.69	0.68	1.35	0.77	1.83	1.11	1.83	1.24	2.01

Responsible Entity's Report

for the half year ended 31 December 2015

1.3 Review of operations (continued)

c) Performance returns

The performance returns shown in the table below are for the relevant 12 month period ended 31 December and have been calculated using redemption unit prices for the Funds, which are after fees and expenses, assuming reinvestment of distributions. The returns are calculated daily, compounded monthly to produce longer period returns and are in accordance with the Financial Services Council Standard 6.00 Product Performance – Calculation of Returns.

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	%	%	%	%	%	%	%	%	%	%
Performance										
Growth return ^(A)	5.2	18.1	1.3	7.3	4.6	21.5	6.1	7.9	8.1	13.7
Distribution return ^(B)	-	-	-	-	-	-	1.1	1.0	1.1	0.8
Total return ^(C)	5.2	18.1	1.3	7.3	4.6	21.5	7.2	8.9	9.2	14.5

^(A) The Growth return for the 12 month period ended 31 December is calculated as a percentage by dividing the end of period unit price (ex-distribution) by the prior 12 month period ended 31 December redemption unit price (ex-distribution) minus 1.

^(B) The Distribution return is calculated as a percentage by subtracting the Growth return from the Total return.

^(C) The Total return for the 12 month prior ended 31 December is calculated as a percentage by dividing the end of period redemption unit price (cum-distribution) by the prior 12 month period ended 31 December redemption unit price (ex-distribution) minus 1.

Distributions

The interim distributions shown in the table on page 4 for MIF and MIFU were declared for the relevant half year ended 31 December. The 2015 interim distributions for MIF and MIFU were paid on 7 January 2016.

d) Strategy and future outlook

The Funds provide daily unit prices, monthly fund updates and six monthly investor reports which can be found in the Magellan Funds section of the Magellan Financial Group Limited website, www.magellangroup.com.au. These fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with fund outlook commentary.

1.4 Likely developments and expected results of operations

The Funds will continue to invest in companies and businesses in accordance with the investment strategies as detailed in their Product Disclosure Statements. Additional comments on the expected results of operations of the Funds are included in this report in Section 1.3 under the Review of Operations. The methods of operating the Funds are not expected to change in the foreseeable future, however the results of the Funds' operations may be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and past returns should not be used to predict future returns.

Responsible Entity's Report

for the half year ended 31 December 2015

1.5 Interest in the Funds

The movement in units on issue in the Funds during the half year ended 31 December 2015 is disclosed in note 4a) to the financial statements.

As at 31 December 2015, the net assets attributable to unitholders of each Fund were as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Net assets attributable to unitholders	7,940,466	6,781,352	273,128	138,517	277,175	236,758	833,653	791,126	275,963	186,566

1.6 Events subsequent to the end of the half year

There have been no matters or circumstances arising after the end of the half year that have significantly affected, or may significantly affect, the Funds' operations in future financial years, the results of those operations, or the Funds' state of affairs in future financial years.

1.7 Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/100 (as amended) and consequently amounts in the Interim Financial Reports have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

1.8 Auditor

Ernst & Young continues in office as auditor. A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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

Brett Cairns
Executive Chairman

Sydney, 29 February 2016

Auditor's Independence Declaration



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Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as the Responsible Entity of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged), (the "Schemes")

As lead auditor for the review of the Schemes for the half-year ended 31 December 2015, 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; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva'.

Rita Da Silva
Partner
29 February 2016

Statements of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2015

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Note										
Investment Income										
Interest income	732	516	296	49	13	18	667	542	24	24
Dividend and distribution income	55,915	34,809	1,357	259	2,148	843	11,373	9,810	3,478	1,668
Net change in fair value of investments										
- held for trading	-	-	(2,817)	(3,948)	(2,216)	-	(12,601)	(28,520)	-	(3)
- designated at fair value through profit or loss	320,174	980,233	5,096	7,552	12,196	34,597	67,788	83,252	17,055	14,080
Net gains / (losses) on foreign exchange settlements, contracts and cash	56,319	80,106	53	3	1,227	2,195	85	196	970	1,076
Other income	-	-	-	-	-	-	3	-	-	13
Total net investment income	433,140	1,095,664	3,985	3,915	13,368	37,653	67,315	65,280	21,527	16,858
Expenses										
Management and administration fees	53,933	41,666	1,440	322	2,054	1,273	4,528	3,626	1,319	591
Performance fees	24,176	26,074	5	95	16	2,877	5,004	1,939	1,781	46
Transaction costs	435	594	25	7	25	24	62	34	27	18
Withholding tax on dividends	7,242	5,009	176	36	305	109	1,038	990	306	133
Total expenses	85,786	73,343	1,646	460	2,400	4,283	10,632	6,589	3,433	788
Net operating profit	347,354	1,022,321	2,339	3,455	10,968	33,370	56,683	58,691	18,094	16,070
Finance costs attributable to unitholders										
Distributions to unitholders	-	-	-	-	-	-	(8,341)	(5,987)	(2,730)	(1,024)
Increase in net assets attributable to unitholders	(347,354)	(1,022,321)	(2,339)	(3,455)	(10,968)	(33,370)	(48,342)	(52,704)	(15,364)	(15,046)
Profit / (loss) for the half year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the half year	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the half year	-	-	-	-	-	-	-	-	-	-

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

Statements of Financial Position

as at 31 December 2015

	Note	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Assets											
Cash and cash equivalents		1,191,273	1,195,592	44,752	22,672	29,288	25,493	70,002	94,772	20,903	20,888
Receivables		15,420	17,699	1,979	284	192	407	5,148	6,823	1,697	1,509
Investments	3 a)	6,790,243	6,472,714	231,426	118,577	249,207	223,334	782,747	723,465	260,614	170,172
Total assets		7,996,936	7,686,005	278,157	141,533	278,687	249,234	857,897	825,060	283,214	192,569
Liabilities											
Investments	3 b)	-	-	-	483	-	-	4,851	13,485	-	-
Payables		56,470	904,653	5,029	2,533	1,512	12,476	19,393	20,449	7,251	6,003
Total liabilities		56,470	904,653	5,029	3,016	1,512	12,476	24,244	33,934	7,251	6,003
Net assets attributable to unitholders		7,940,466	6,781,352	273,128	138,517	277,175	236,758	833,653	791,126	275,963	186,566

The above Statements of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

Statements of Changes in Equity

for the half year ended 31 December 2015

Under Australian Accounting Standards, the Funds' net assets attributable to unitholders are classified as a liability. As a result, the Funds have no equity for financial reporting purposes and there were no changes in equity at the start or end of the current or prior period.

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements

Statements of Cash Flows

for the half year ended 31 December 2015

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Cash flows from operating activities										
Interest received	704	626	264	36	12	18	696	456	23	25
Dividends and distributions received	57,565	45,164	1,357	321	2,228	1,142	9,938	10,270	2,634	1,398
Other income received	-	-	-	-	-	-	3	-	-	13
Management, administration and performance fees paid	(54,068)	(38,974)	(1,280)	(295)	(2,832)	(1,167)	(5,273)	(3,038)	(1,481)	(529)
Withholding tax paid	(7,242)	(5,069)	(176)	(38)	(305)	(110)	(1,038)	(846)	(306)	(132)
Other expenses paid	(435)	(321)	(42)	(8)	(9)	(24)	(19)	(13)	(31)	(23)
Net cash inflows/(outflows) from operating activities	(3,476)	1,426	123	16	(906)	(141)	4,307	6,829	839	752
Cash flows from investing activities										
Purchase of investments	(1,525,605)	(1,464,806)	(123,487)	(24,016)	(84,481)	(68,058)	(124,109)	(44,822)	(86,228)	(52,730)
Proceeds from sale of investments	1,563,303	1,745,284	23,612	14,768	72,080	43,540	135,785	87,976	14,776	8,337
Net cash flows from foreign exchange hedging activities	-	-	(6,596)	(3,778)	(2,358)	-	(21,235)	(16,216)	-	-
Net foreign exchange gains/(losses)	28,805	43,695	54	42	1,589	1,069	906	316	1,462	572
Net cash inflows/(outflows) from investing activities	66,503	324,173	(106,417)	(12,984)	(13,170)	(23,449)	(8,653)	27,254	(69,990)	(43,821)
Cash flows from financing activities										
Receipts from issue of units	1,182,531	882,745	135,713	23,173	33,020	47,682	90,677	78,465	84,218	55,771
Payments for redemption of units	(531,879)	(540,055)	(5,460)	(4,552)	(7,688)	(4,380)	(102,727)	(65,505)	(11,109)	(4,462)
Distributions paid	(731,554)	(164,153)	(1,879)	(268)	(7,087)	(2,336)	(8,293)	(6,267)	(3,543)	(834)
Net cash inflows/(outflows) from financing activities	(80,902)	178,537	128,374	18,353	18,245	40,966	(20,343)	6,693	69,566	50,475
Net increase/(decrease) in cash and cash equivalents	(17,875)	504,136	22,080	5,385	4,169	17,376	(24,689)	40,776	415	7,406
Cash and cash equivalents at 1 July	1,195,592	227,705	22,672	2,117	25,493	2,874	94,772	21,920	20,888	4,668
Effect of exchange rate fluctuations on cash and cash equivalents	13,556	35,426	-	(2)	(374)	1,135	(81)	82	(400)	620
Cash and cash equivalents at 31 December	1,191,273	767,267	44,752	7,500	29,288	21,385	70,002	62,778	20,903	12,694

The above Statements of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

for the half year ended 31 December 2015

1. Summary of significant accounting policies

The interim financial reports cover the Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds"), as individual entities, for the half year ended 31 December 2015.

The Funds are registered managed investment schemes under the *Corporations Act 2001*. In accordance with the Funds' Constitutions, they commenced on the date that the first unit was issued, which is set out as follows:

Fund	Date of Commencement
Magellan Global Fund	1 July 2007
Magellan Infrastructure Fund	1 July 2007
Magellan Global Fund (Hedged)	28 June 2013
Magellan High Conviction Fund	28 June 2013
Magellan Infrastructure Fund (Unhedged)	28 June 2013

The Funds terminate on the day immediately preceding the 80th anniversary of their Date of Commencement, unless terminated earlier in accordance with the provisions of each fund's Constitution.

Magellan Asset Management Limited (ABN 31 120 593 946) is the Responsible Entity of the Funds.

The interim financial reports were authorised for issue by the Directors of the Responsible Entity on 29 February 2016. The Directors have the power to amend and reissue the financial reports.

a) Basis of preparation

The interim financial reports are general purpose financial reports and have been prepared in accordance with AASB 134: *Interim Financial Reporting*, the *Corporations Act 2001* and other mandatory professional reporting requirements. They are presented in Australian dollars. The Funds are for-profit unit trusts for the purpose of preparing these financial reports.

The interim financial reports do not include all the information and disclosures normally included in the Funds' annual financial reports. Accordingly, this report should be read in conjunction with the 30 June 2015 Annual Reports.

Changes in accounting policy, accounting standards and interpretations

i) New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. None of the standards and amendments which became mandatory for the first time in the interim reporting period commencing 1 July 2015 resulted in any adjustments to the amounts recognised in the financial statements or disclosures.

Notes to the Financial Statements

for the half year ended 31 December 2015

1. Summary of significant accounting policies (continued)

Changes in accounting policy, accounting standards and interpretations (continued)

ii) Accounting standards and interpretations issued but not yet effective

The Australian and International Accounting Standards issued, but not yet mandatory, for the reporting period ended 31 December 2015 have not been adopted by the Funds in the preparation of these financial reports. An assessment of the impact of the new standards and interpretations, which may have a material impact on the Funds, is set out below:

- **AASB 9: Financial Instruments (AASB 9), AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective 1 July 2018)**

AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new requirements the four current categories of financial assets will be replaced with two measurement categories: fair value and amortised cost. Financial assets will only be measured at amortised cost where very specific conditions are met.

AASB 9 was revised in December 2014 to include new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. It also introduced a new expected-loss impairment model that requires credit losses to be recognised when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

At 31 December 2015, no material financial impact is expected on adoption of AASB 9 as the Funds currently classify financial assets and financial liabilities at either fair value or amortised cost and the carrying value of investments measured at amortised cost approximates fair value. The Funds do not apply hedge accounting. The Funds continue to evaluate the disclosure requirements of this standard.

- **AASB 15: Revenue from Contracts with Customers (effective 1 July 2018) (AASB 15)**

AASB 15 supersedes the revenue recognition guidance in AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates. The core principle in AASB 15 is that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for selling goods or services to customers.

The Funds have undertaken an assessment of the impact of AASB 15. Based on the assessment completed to date, the Funds do not expect any material change to the timing or manner of revenue recognition as their key revenues being interest income, dividend and distribution income and investment gains, are excluded from the scope of AASB 15. The Funds will continue to assess the disclosure requirements of AASB 15 so as to understand the extent of any impact on the current systems, processes and controls.

There are no other pronouncements or accounting standards, not yet effective at this time, that are expected to have a material impact on the financial statements in future reporting periods.

b) Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/100 (as amended) and amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with the Class Order, unless otherwise indicated.

Notes to the Financial Statements

for the half year ended 31 December 2015

1. Summary of significant accounting policies (continued)

c) Critical accounting estimates and judgements

The preparation of the Funds' financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer to further detail in note 5). As most investments are valued with reference to the listed quoted prices, the Funds' financial assets are not subject to significant judgement or complexity nor are the Funds' liabilities.

d) Including different registered scheme financial reports in a single document

The Funds have applied Australian Securities & Investments Commission's Class Order 06/441, which allows registered schemes with a common Responsible Entity to include their financial statements in adjacent columns in a single financial report.

Notes to the Financial Statements

for the half year ended 31 December 2015

2. Distributions to unitholders

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Interim distribution to unitholders \$'000	-	-	-	-	-	-	8,341	5,987	2,730	1,024
Cents per unit	-	-	-	-	-	-	1.20	0.94	1.50	1.00

The interim distributions for MIF and MIFU were declared on 23 December 2015 and paid on 7 January 2016, and were classified as Payables on the Statements of Financial Position at 31 December 2015.

a) Distribution Reinvestment Plan (DRP)

A DRP operated in MIF and MIFU during the half years ended 31 December 2015 and 31 December 2014. Unitholders may request their distributions to be applied as subscriptions for additional units in the respective fund at the Issue Price (as defined in the respective fund's Constitution), determined after the number of units on issue is calculated for the purpose of making the distribution.

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
DRP issue price (interim distribution - units issued)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1.2006	1.1155	1.5181	1.3697

Notes to the Financial Statements

for the half year ended 31 December 2015

3. Investments

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000
a) Investment assets										
<i>Financial assets designated at fair value through profit or loss</i>										
Australian listed equity securities	190,503	212,884	6,222	3,950	-	-	138,150	127,334	45,995	29,861
International listed equity securities	6,599,740	6,259,830	221,907	114,627	248,402	222,671	644,597	596,131	214,619	140,311
Total financial assets designated at fair value	6,790,243	6,472,714	228,129	118,577	248,402	222,671	782,747	723,465	260,614	170,172
Held for trading financial assets										
Forward foreign currency contracts	-	-	3,297	-	805	663	-	-	-	-
Total held for trading financial assets	-	-	3,297	-	805	663	-	-	-	-
Total investment assets	6,790,243	6,472,714	231,426	118,577	249,207	223,334	782,747	723,465	260,614	170,172
b) Investment liabilities										
<i>Held for trading financial liabilities</i>										
Forward foreign currency contracts	-	-	-	483	-	-	4,851	13,485	-	-
Total investment liabilities	-	-	-	483	-	-	4,851	13,485	-	-

Fair value disclosures

An overview of the risk exposures and fair value measurements relating to investments held at fair value through the Statements of Profit or Loss and Other Comprehensive Income is included in note 5.

Notes to the Financial Statements

for the half year ended 31 December 2015

4. Net assets attributable to unitholders

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015 No. of Units '000	30 Jun 2015 No. of Units '000	31 Dec 2015 No. of Units '000	30 Jun 2015 No. of Units '000	31 Dec 2015 No. of Units '000	30 June 2015 No. of Units '000	31 Dec 2015 No. of Units '000	30 June 2015 No. of Units '000	31 Dec 2015 No. of Units '000	30 June 2015 No. of Units '000
a) Units on issue										
Opening balance	3,615,490	3,275,582	110,603	34,374	165,880	111,251	699,827	618,920	132,981	61,412
Units issued	671,793	899,812	109,063	85,861	24,974	63,414	82,399	173,686	56,357	82,291
Units redeemed	(261,347)	(559,904)	(4,262)	(9,632)	(5,162)	(8,785)	(87,118)	(92,779)	(7,365)	(10,722)
Closing balance	4,025,936	3,615,490	215,404	110,603	185,692	165,880	695,108	699,827	181,973	132,981

Terms and conditions of units

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

- the right to redeem units, subject to restrictions disclosed in the Funds' Product Disclosure Statements;
- the right to receive a share of any distribution determined by the Responsible Entity in proportion to the units held on the distribution date;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Funds.

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000	31 Dec 2015 \$'000	31 Dec 2014 \$'000
b) Changes in net assets attributable to unit holders										
Opening balance	6,781,352	5,360,980	138,517	38,889	236,758	126,071	791,126	638,304	186,566	73,844
Applications	1,183,213	881,412	137,357	23,094	32,888	47,712	90,898	78,381	84,240	55,615
Redemptions	(519,899)	(537,217)	(5,418)	(4,547)	(7,625)	(4,245)	(102,417)	(65,360)	(11,058)	(4,445)
Reinvestment of distributions and management fee rebates	148,446	31,974	333	419	4,186	808	5,704	5,802	851	129
Increase in net assets attributable to unitholders	347,354	1,022,321	2,339	3,455	10,968	33,370	48,342	52,704	15,364	15,046
Closing balance	7,940,466	6,759,470	273,128	61,310	277,175	203,716	833,653	709,831	275,963	140,189

Notes to the Financial Statements

for the half year ended 31 December 2015

5. Capital and financial risk management

a) Fair value measurements

The Funds classify the fair value measurements of financial assets and financial liabilities using the three level fair value hierarchy set out below to reflect the source of valuation inputs used when determining the fair value:

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

The following table presents the fair value measurement hierarchy of the Funds' financial assets and liabilities:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Assets measured at fair value										
Level 1: Investments - valued using quoted price ^(A)	6,790,243	6,472,714	228,129	118,577	248,402	222,671	782,747	723,465	260,614	170,172
Level 2: Forward foreign currency contracts	-	-	3,297	-	805	663	-	-	-	-
Total financial assets	6,790,243	6,472,714	231,426	118,577	249,207	223,334	782,747	723,465	260,614	170,172
Liabilities measured at fair value										
Level 2: Forward foreign currency contracts	-	-	-	483	-	-	4,851	13,485	-	-
Total financial liabilities	-	-	-	483	-	-	4,851	13,485	-	-

^(A) All Australian and international equity securities held by the Funds are Level 1 assets.

The Funds do not hold any level 3 assets.

There have been no transfers between any of the three levels in the hierarchy during the half year and the Funds' policies are to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period.

Notes to the Financial Statements

for the half year ended 31 December 2015

6. Contingent assets, contingent liabilities and commitments

The Funds have no contingent assets, contingent liabilities or commitments at 31 December 2015 (June 2015: nil).

7. Events subsequent to the end of the half year

The Directors are not aware of any other matters or circumstances not otherwise dealt with in the financial reports that have significantly affected, or may significantly affect, the Funds' operations, the results of those operations, or the Funds' state of affairs in future years.

Directors' Declaration

for the half year ended 31 December 2015

In the opinion of the Directors, the financial statements and notes of:

Magellan Global Fund;
Magellan Global Fund (Hedged);
Magellan High Conviction Fund;
Magellan Infrastructure Fund; and
Magellan Infrastructure Fund (Unhedged), (together "the Funds") as set out on pages 8 to 19;

a) are in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the financial position of the Funds as at 31 December 2015 and of their performance as represented by the results of their operations and their cash flows for the half year ended on that date; and
- ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Responsible Entity.



Brett Cairns
Executive Chairman

Sydney, 29 February 2016

Independent Auditor's Report



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Report on the Half-Year Financial Report

To the unitholders of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged)

We have reviewed the accompanying half-year financial report of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged) ("the Schemes"), which comprises the statements of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Schemes' financial positions as at 31 December 2015 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Schemes, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

Independent Auditor's Report



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Schemes is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Schemes' financial positions as at 31 December 2015 and of their performance for half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Rita Da Silva'.

Rita Da Silva
Partner
Sydney
29 February 2016

Corporate Information

Directors of the Responsible Entity

Brett Cairns (Chairman)
Hamish Douglass
Robert Fraser
Paul Lewis
Karen Phin

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Geoffrey Stirton

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