



Interim Financial Reports

for the half year ended 31 December 2016

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

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Responsible Entity's Report

for the half year ended 31 December 2016

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 2016.

1.0 Directors

The following persons were Directors of MAM during the half 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
Hamish McLennan	Independent Non-executive Director	01 Mar 2016
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 36, 19 Martin Place, 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 and internet related products and services. The investment objectives of MGF are 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 Product Disclosure Statement, issued 6 July 2016. 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 Product Disclosure Statement, issued 6 July 2016.

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 and internet related products and services. The investment objectives of MHCF are 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 Product Disclosure Statement, issued 6 July 2016.

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, communications infrastructure and real estate in accordance with its investment strategy as detailed in the Product Disclosure Statement, issued 6 July 2016. 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 Product Disclosure Statement, issued 6 July 2016. 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 2016

1.2 Significant changes in state of affairs

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

1.3 Distributions

The interim distributions shown in the table below for MIF and MIFU were declared for the relevant half year ended 31 December. The 2017 interim distributions for MIF and MIFU were paid on 6 January 2017. No interim distributions were declared for MGF, MGFH and MHCF for the half year ended 31 December 2016.

1.4 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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Results										
Total net investment income (\$'000)	768,939	433,140	26,358	3,985	29,765	13,368	(24,544)	67,315	(12,482)	21,527
Total expenses (\$'000)	63,479	85,786	2,683	1,646	3,876	2,400	7,417	10,632	3,443	3,433
Net operating profit (\$'000)	705,460	347,354	23,675	2,339	25,889	10,968	(31,961)	56,683	(15,925)	18,094
Distributions										
Distribution paid and payable to unitholders (\$'000)	-	-	-	-	-	-	10,005	8,341	3,629	2,730
Distribution paid and payable (cents per unit)	-	-	-	-	-	-	1.0500	1.2000	1.0000	1.5000
Redemption unit price (ex-distribution) (\$)	1.8774	1.9707	1.3131	1.2670	1.4290	1.4916	1.1902	1.1988	1.5124	1.5158
Unit prices (net asset value) (ex-distribution) (\$)	1.8793	1.9727	1.3144	1.2683	1.4304	1.4931	1.1920	1.2006	1.5147	1.5181

Responsible Entity's Report

for the half year ended 31 December 2016

1.4 Review of operations (continued)

b) Total Indirect Cost Ratio

The Total Indirect Cost Ratio (ICR) is the ratio of the Funds' actual management costs over the average gross assets attributable to unitholders, for the periods presented below, expressed as a percentage. Management costs include management fees and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax. Management costs are accrued within the Funds' unit price on a daily basis.

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	6 months to 31 Dec 2016 %	6 months to 31 Dec 2015 %	6 months to 31 Dec 2016 %	6 months to 31 Dec 2015 %	6 months to 31 Dec 2016 %	6 months to 31 Dec 2015 %	6 months to 31 Dec 2016 %	6 months to 31 Dec 2015 %	6 months to 31 Dec 2016 %	6 months to 31 Dec 2015 %
Indirect cost ratio										
Management fee	0.68	0.68	0.68	0.68	0.75	0.75	0.53	0.53	0.53	0.53
Performance fee	-	0.30	0.01	-	0.47	0.01	-	0.58	-	0.71
Total indirect cost ratio	0.68	0.98	0.69	0.68	1.22	0.76	0.53	1.11	0.53	1.24

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	12 months to 31 Dec 2016 %	12 months to 31 Dec 2015 %	12 months to 31 Dec 2016 %	12 months to 31 Dec 2015 %	12 months to 31 Dec 2016 %	12 months to 31 Dec 2015 %	12 months to 31 Dec 2016 %	12 months to 31 Dec 2015 %	12 months to 31 Dec 2016 %	12 months to 31 Dec 2015 %
Indirect cost ratio										
Management fee	1.35	1.35	1.35	1.35	1.50	1.50	1.06	1.06	1.06	1.06
Performance fee	-	0.34	0.01	-	0.48	0.33	-	0.77	-	0.95
Total indirect cost ratio	1.35	1.69	1.36	1.35	1.98	1.83	1.06	1.83	1.06	2.01

Responsible Entity's Report

for the half year ended 31 December 2016

1.4 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 2016 %	31 Dec 2015 %	31 Dec 2016 %	31 Dec 2015 %	31 Dec 2016 %	31 Dec 2015 %	31 Dec 2016 %	31 Dec 2015 %	31 Dec 2016 %	31 Dec 2015 %
Performance										
Growth return ^(A)	1.2	5.2	7.6	1.3	9.7	4.6	(3.8)	6.1	(4.1)	8.1
Distribution return ^(B)	-	-	-	-	-	-	0.9	1.1	0.6	1.1
Total return ^(C)	1.2	5.2	7.6	1.3	9.7	4.6	(2.9)	7.2	(3.5)	9.2

^(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.

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.

1.5 Interest in the Funds

The movement in units on issue in the Funds during the half year ended 31 December 2016 is disclosed in note 4a) to the financial statements. Net assets attributable to unitholders of each Fund, for the periods presented below, were as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Net assets attributable to unitholders	8,611,128	7,273,143	371,175	302,530	299,784	257,154	1,135,215	988,057	549,405	418,757

Responsible Entity's Report

for the half year ended 31 December 2016

1.6 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 1.4 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.

1.7 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. Asset prices move daily and daily unit prices are available on the Magellan Financial Group Limited website, www.magellangroup.com.au.

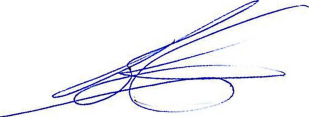
1.8 Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Corporations Instrument 2016/191 and consequently amounts in the Responsible Entity's Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

1.9 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 8.

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



Brett Cairns
Executive Chairman

Sydney, 2 March 2017

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 Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged), (the "Schemes")

As lead auditor for the review of the Schemes for the half-year ended 31 December 2016, 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.


Ernst & Young


Rita Da Silva
Partner
2 March 2017

Statements of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2016

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Note										
Investment Income										
Interest income	488	732	346	296	16	13	673	667	39	24
Dividend and distribution income	53,220	55,915	2,212	1,357	2,123	2,148	14,808	11,373	6,967	3,478
Net change in fair value of investments										
- held for trading	(32)	-	(5,765)	(2,817)	(2,861)	(2,216)	5,753	(12,601)	(4)	-
- designated at fair value through profit or loss	679,456	320,174	29,507	5,096	29,795	12,196	(45,336)	67,788	(20,216)	17,055
Net gains / (losses) on foreign exchange settlements, contracts and cash	35,807	56,319	58	53	692	1,227	(445)	85	732	970
Other income	-	-	-	-	-	-	3	3	-	-
Total net investment income	768,939	433,140	26,358	3,985	29,765	13,368	(24,544)	67,315	(12,482)	21,527
Expenses										
Management and administration fees	55,777	53,933	2,341	1,440	2,200	2,054	5,897	4,528	2,726	1,319
Performance fees	35	24,176	22	5	1,361	16	-	5,004	-	1,781
Transaction costs	439	435	19	25	24	25	114	62	64	27
Withholding tax on dividends	7,228	7,242	301	176	291	305	1,406	1,038	653	306
Total expenses	63,479	85,786	2,683	1,646	3,876	2,400	7,417	10,632	3,443	3,433
Net operating profit	705,460	347,354	23,675	2,339	25,889	10,968	(31,961)	56,683	(15,925)	18,094
Finance costs attributable to unitholders										
Distributions to unitholders	-	-	-	-	-	-	(10,005)	(8,341)	(3,629)	(2,730)
(Increase)/decrease in net assets attributable to unitholders	(705,460)	(347,354)	(23,675)	(2,339)	(25,889)	(10,968)	41,966	(48,342)	19,554	(15,364)
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 2016

	Note	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Assets											
Cash and cash equivalents		1,204,633	1,298,609	55,719	49,745	27,204	24,849	67,739	106,078	35,275	50,277
Receivables		13,658	18,255	446	812	153	259	7,046	8,239	3,051	3,546
Investments	3 a)	7,411,180	6,621,561	323,523	257,474	277,909	253,402	1,075,837	940,159	517,808	378,915
Total assets		8,629,471	7,938,425	379,688	308,031	305,266	278,510	1,150,622	1,054,476	556,134	432,738
Liabilities											
Financial liabilities held for trading	3 b)	32	-	8,028	-	3,729	-	4,356	-	4	-
Payables		18,311	665,282	485	5,501	1,753	21,356	11,051	66,419	6,725	13,981
Total liabilities		18,343	665,282	8,513	5,501	5,482	21,356	15,407	66,419	6,729	13,981
Net assets attributable to unitholders	4 b)	8,611,128	7,273,143	371,175	302,530	299,784	257,154	1,135,215	988,057	549,405	418,757

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 2016

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 2016

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Cash flows from operating activities										
Interest received	479	704	350	264	19	12	739	696	41	23
Dividends and distributions received	52,253	57,565	2,172	1,357	2,134	2,228	13,318	9,938	5,963	2,634
Other income received	621	-	18	-	27	-	29	3	-	-
Management, administration and performance fees paid	(53,598)	(54,068)	(2,193)	(1,280)	(2,158)	(2,832)	(4,891)	(5,273)	(2,580)	(1,481)
Withholding tax paid	(7,228)	(7,242)	(301)	(176)	(291)	(305)	(1,406)	(1,038)	(653)	(306)
Other expenses paid	(440)	(435)	(17)	(42)	(24)	(9)	(111)	(19)	(70)	(31)
Net cash inflows/(outflows) from operating activities	(7,913)	(3,476)	29	123	(293)	(906)	7,678	4,307	2,701	839
Cash flows from investing activities										
Purchase of investments	(1,583,226)	(1,525,605)	(89,360)	(123,487)	(77,395)	(84,481)	(348,523)	(124,109)	(209,323)	(86,228)
Proceeds from sale of investments	1,467,931	1,563,303	48,331	23,612	80,448	72,080	134,668	135,785	53,100	14,776
Net cash flows from foreign exchange hedging activities	-	-	6,512	(6,596)	2,513	(2,358)	43,346	(21,235)	-	-
Net foreign exchange gains/(losses)	2,059	28,805	268	54	93	1,589	215	906	(439)	1,462
Net cash inflows/(outflows) from investing activities	(113,236)	66,503	(34,249)	(106,417)	5,659	(13,170)	(170,294)	(8,653)	(156,662)	(69,990)
Cash flows from financing activities										
Receipts from issue of units	1,034,869	1,182,531	79,196	135,713	19,500	33,020	222,621	90,677	183,168	84,218
Payments for redemption of units	(511,560)	(531,879)	(34,754)	(5,460)	(9,711)	(7,688)	(53,774)	(102,727)	(34,114)	(11,109)
Distributions paid	(533,848)	(731,554)	(4,249)	(1,879)	(13,578)	(7,087)	(44,576)	(8,293)	(11,418)	(3,543)
Net cash inflows/(outflows) from financing activities	(10,539)	(80,902)	40,193	128,374	(3,789)	18,245	124,271	(20,343)	137,636	69,566
Net increase/(decrease) in cash and cash equivalents	(131,688)	(17,875)	5,973	22,080	1,577	4,169	(38,345)	(24,689)	(16,325)	415
Cash and cash equivalents at 1 July	1,298,609	1,195,592	49,745	22,672	24,849	25,493	106,078	94,772	50,277	20,888
Effect of exchange rate fluctuations on cash and cash equivalents	37,712	13,556	1	-	778	(374)	6	(81)	1,323	(400)
Cash and cash equivalents at 31 December	1,204,633	1,191,273	55,719	44,752	27,204	29,288	67,739	70,002	35,275	20,903

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 2016

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 2016.

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 2 March 2017. 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 2016 Annual Reports.

Changes in accounting policy, accounting standards and interpretations

i) New and amended standards and interpretations

The accounting policies are consistent with those of the previous financial year and corresponding reporting period except for the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2016. None of the new standards or amendments affected any of the amounts of the disclosures in the current or prior years.

Notes to the Financial Statements

for the half year ended 31 December 2016

1. Summary of significant accounting policies (continued)

a) Basis of preparation (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 2016 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 more timely basis.

At 31 December 2016, no material financial impact is expected on adoption of AASB 9 as the Funds currently classify financial assets and financial liabilities at either designated at fair value through the profit or loss, or amortised cost. The carrying value of financial assets and financial liabilities measured at amortised cost, approximates fair value. The Funds do not apply hedge accounting. The Funds continues to evaluate the disclosure requirements of this standard.

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

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 initial 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.

Notes to the Financial Statements

for the half year ended 31 December 2016

1. Summary of significant accounting policies (continued)

b) Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and consequently amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

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 3 c). 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 2016

2. Distributions to unitholders

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Interim distribution to unitholders \$'000	-	-	-	-	-	-	10,005	8,341	3,629	2,730
Cents per unit	-	-	-	-	-	-	1.05	1.20	1.00	1.50

The interim distributions for MIF and MIFU were declared on 20 December 2016 and paid on 6 January 2017, and were classified as Payables on the Statements of Financial Position at 31 December 2016.

a) Distribution Reinvestment Plan (DRP)

A DRP operated in MIF and MIFU during the half years ended 31 December 2016 and 31 December 2015. 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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
DRP issue price (interim distribution - units issued)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.1920	\$ 1.2006	\$ 1.5147	\$ 1.5181

Notes to the Financial Statements

for the half year ended 31 December 2016

3. Investments

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000
a) Investment assets										
Financial assets designated at fair value through profit or loss										
Australian listed equity securities	51,488	168,196	2,146	6,474	-	-	192,896	148,824	92,517	62,271
International listed equity securities	7,359,692	6,453,365	321,377	246,750	277,909	251,755	882,941	758,099	425,291	316,644
Total financial assets designated at fair value	7,411,180	6,621,561	323,523	253,224	277,909	251,755	1,075,837	906,923	517,808	378,915
Financial assets held for trading										
Forward foreign currency contracts	-	-	-	4,250	-	1,647	-	33,236	-	-
Total financial assets held for trading	-	-	-	4,250	-	1,647	-	33,236	-	-
Total investment assets	7,411,180	6,621,561	323,523	257,474	277,909	253,402	1,075,837	940,159	517,808	378,915
b) Investment liabilities										
Financial liabilities held for trading										
Forward foreign currency contracts	32	-	8,028	-	3,729	-	4,356	-	4	-
Total investment liabilities	32	-	8,028	-	3,729	-	4,356	-	4	-

c) 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.

Notes to the Financial Statements

for the half year ended 31 December 2016

3. Investments (continued)

c) Fair value measurements (continued)

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 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Assets measured at fair value										
Level 1: Investments - valued using quoted price ^(A)	7,411,180	6,621,561	323,523	253,224	277,909	251,755	1,075,837	906,923	517,808	378,915
Level 2: Forward foreign currency contracts	-	-	-	4,250	-	1,647	-	33,236	-	-
Total financial assets	7,411,180	6,621,561	323,523	257,474	277,909	253,402	1,075,837	940,159	517,808	378,915
Liabilities measured at fair value										
Level 2: Forward foreign currency contracts	32	-	8,028	-	3,729	-	4,356	-	4	-
Total financial liabilities	32	-	8,028	-	3,729	-	4,356	-	4	-

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

The Funds do not hold any level 3 assets or liabilities.

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 2016

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 2016 (A)	30 Jun 2016 (B)	31 Dec 2016 (A)	30 Jun 2016 (B)	31 Dec 2016 (A)	30 June 2016 (B)	31 Dec 2016 (A)	30 June 2016 (B)	31 Dec 2016 (A)	30 June 2016 (B)
	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000
a) Units on issue										
Opening balance	4,225,126	3,615,489	247,642	110,603	197,095	165,881	798,333	699,827	265,165	132,981
Units issued	641,104	1,111,416	61,639	170,981	19,521	45,258	198,814	239,492	120,521	146,985
Units redeemed	(284,703)	(501,779)	(26,930)	(33,942)	(7,088)	(14,044)	(44,252)	(140,986)	(22,754)	(14,801)
Closing balance	4,581,527	4,225,126	282,351	247,642	209,528	197,095	952,895	798,333	362,932	265,165

(A) The period to 31 December 2016 is for 6 months from 1 July 2016 to 31 December 2016.

(B) The period to 30 June 2016 is for 12 months from 1 July 2015 to 30 June 2016.

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.

Notes to the Financial Statements

for the half year ended 31 December 2016

4. Net assets attributable to unitholders (continued)

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2016 (A)	30 Jun 2016 (B)	31 Dec 2016 (A)	30 Jun 2016 (B)	31 Dec 2016 (A)	30 Jun 2016 (B)	31 Dec 2016 (A)	30 Jun 2016 (B)	31 Dec 2016 (A)	30 Jun 2016 (B)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
b) Changes in net assets attributable to unit holders										
Opening balance	7,273,143	6,781,352	302,530	138,517	257,154	236,758	988,057	791,126	418,757	186,566
Applications	1,029,207	2,020,524	78,787	213,585	19,428	63,475	221,376	282,082	182,113	227,783
Redemptions	(507,568)	(977,687)	(34,586)	(42,691)	(9,689)	(21,579)	(53,189)	(169,879)	(33,974)	(22,767)
Reinvestment of distributions and management fee rebates	110,886	150,672	769	537	7,002	4,186	20,937	9,931	2,063	1,236
(Increase)/decrease in net assets attributable to unitholders	705,460	(701,718)	23,675	(7,418)	25,889	(25,686)	(41,966)	74,797	(19,554)	25,939
Closing balance	8,611,128	7,273,143	371,175	302,530	299,784	257,154	1,135,215	988,057	549,405	418,757

(A) The period to 31 December 2016 is for 6 months from 1 July 2016 to 31 December 2016.

(B) The period to 30 June 2016 is for 12 months from 1 July 2015 to 30 June 2016.

5. Contingent assets, contingent liabilities and commitments

The Funds have no contingent assets, contingent liabilities or commitments at 31 December 2016 (30 June 2016: nil).

6. 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. Asset prices move daily and daily unit prices are available on the Magellan Financial Group Limited website, www.magellangroup.com.au.

Directors' Declaration

for the half year ended 31 December 2016

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

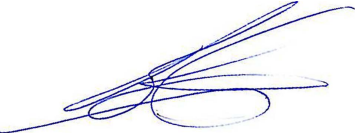
Magellan Global Fund;
Magellan Global Fund (Hedged);
Magellan High Conviction Fund;
Magellan Infrastructure Fund; and
Magellan Infrastructure Fund (Unhedged), (together "the Funds") as set out on pages 9 to 20;

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 2016 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, 2 March 2017

Independent Auditor's Report



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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Schemes"), which comprises the statements of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the 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 Interim Financial Report

The directors of the Responsible Entity 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 controls as the directors determine are necessary to enable the preparation of the interim 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 interim 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 2016 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 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.

Independent Auditor's Report

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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 interim 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 2016 and of their 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*.

Ernst & Young

Rita Da Silva
Partner
Sydney
2 March 2017

Corporate Information

Directors of the Responsible Entity

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

Company Secretary of the Responsible Entity

Geoffrey Stirton

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