

# Magellan Global Fund (Hedged)



APIR: MGE0007AU | ARSN: 164 285 661

AS AT 31 MARCH 2025

## PORTFOLIO MANAGERS

ARVID STREIMANN, CFA AND ALAN PULLEN

INVESTMENT PHILOSOPHY	OBJECTIVE	PORTFOLIO CONSTRUCTION	INVESTMENT RISKS
To invest in outstanding companies at attractive prices, while exercising a deep understanding of the macroeconomic environment to manage investment risk.	To achieve attractive risk-adjusted returns over the medium to long term; while reducing the risk of permanent capital loss.  Aims to deliver 9% per annum net of fees over the economic cycle.	A relatively concentrated portfolio of 20-40 high quality securities constructed with strict risk discipline and macroeconomic insight seeking to achieve strong risk-adjusted, not benchmark-relative returns. Cash and cash equivalents exposure between 0 - 10%.	All investments carry risk, returns are not guaranteed and there is a risk that investors may lose money on any investment they make. The Fund's Product Disclosure Statement (PDS) sets out the significant risks relevant to the Fund. You can view the PDS at <a href="http://www.magellangroup.com.au">www.magellangroup.com.au</a> .

## MAGELLAN GLOBAL FUND (HEDGED): KEY PORTFOLIO INFORMATION

TICKER	FUND SIZE	BUY/SELL SPREAD	MANAGEMENT AND PERFORMANCE FEES <sup>1</sup>	INCEPTION DATE
-	AUD \$348.8 million	0.07% / 0.07%	1.35% p.a. and performance fee of 10% of dual hurdle excess return <sup>^</sup>	1 July 2013

<sup>^</sup> 10.0% of the excess return of the units of the Fund above the higher of the Index Relative Hurdle (MSCI World NTR Index (Hedged to 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.

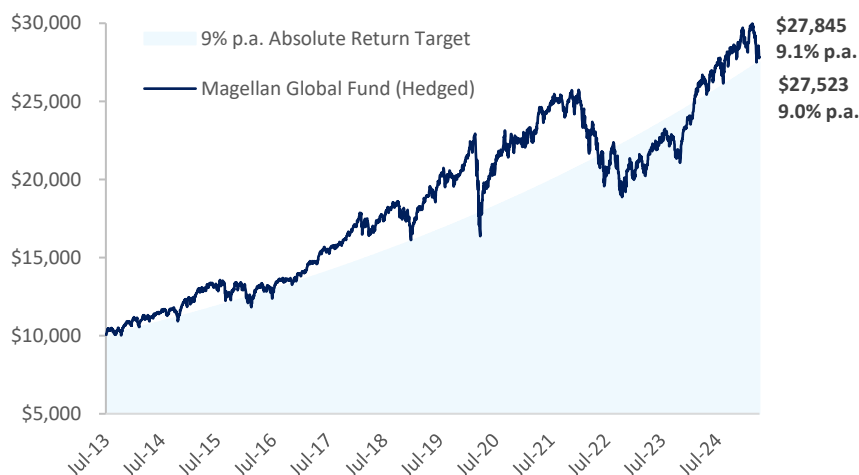
## PERFORMANCE<sup>2</sup>

	1 MONTH (%)	3 MONTHS (%)	1 YEAR (%)	3 YEARS (% p.a.)	5 YEARS (% p.a.)	7 YEARS (% p.a.)	10 YEARS (% p.a.)	Since Inception (% p.a.)	OUTPERFORMANCE CONSISTENCY*
MGFH	-5.1	-2.2	4.8	6.2	8.8	7.6	8.0	9.1	41%
MSCI World NTR Index (A\$ Hedged)*	-5.0	-2.6	6.6	7.2	15.2	9.8	9.4	10.9	-
Excess	-0.1	0.4	-1.8	-1.0	-6.4	-2.2	-1.4	-1.8	-

CALENDAR YEAR RETURNS	CYTD (%)	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (% part year)
MGFH	-2.2	18.3	20.0	-21.8	13.4	5.9	26.9	-0.8	22.8	5.3	6.1	10.5	11.8
MSCI World NTR Index (A\$ Hedged)*	-2.6	20.5	21.5	-17.7	23.7	10.3	26.7	-7.4	19.8	10.4	3.8	12.3	16.7
Excess	0.4	-2.2	-1.5	-4.1	-10.3	-4.4	0.2	6.6	3.0	-5.1	2.3	-1.8	-4.9

Past performance is not a reliable indicator of future performance.

## PERFORMANCE CHART GROWTH OF AUD \$10,000<sup>2</sup>



Past performance is not a reliable indicator of future performance.

<sup>1</sup> Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.

<sup>2</sup> Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

\* Outperformance consistency indicates the percentage of positive excess returns for rolling 3 year returns since inception.

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

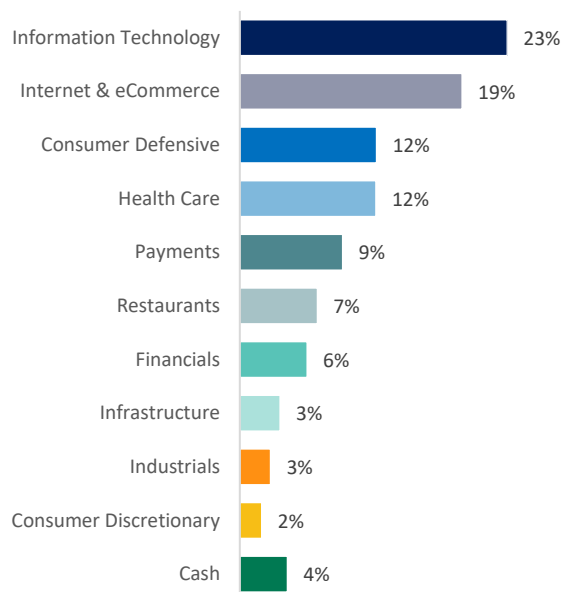
## TOP 10 HOLDINGS

STOCK	SECTOR <sup>3</sup>	%
Microsoft Corporation	Information Technology	7.5
Amazon.com Inc	Internet & eCommerce	7.1
Mastercard Inc	Payments	4.6
Alphabet Inc	Internet & eCommerce	4.4
Visa Inc	Payments	4.3
Meta Platforms Inc	Internet & eCommerce	4.0
Netflix Inc	Internet & eCommerce	3.8
UnitedHealth Group Inc	Health Care	3.7
Nestlé SA	Consumer Defensive	3.5
Eversource Energy	Infrastructure	3.5
<b>TOTAL:</b>		<b>46.4</b>

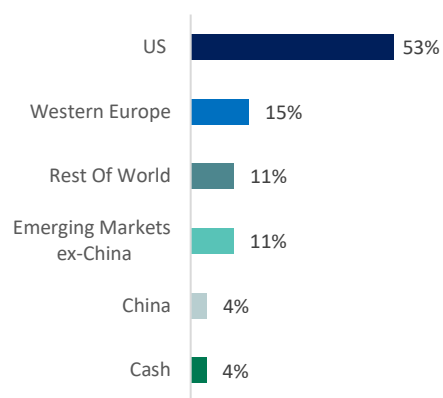
## TOP CONTRIBUTORS/DETRACTORS 1 YEAR<sup>4</sup>

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Netflix Inc	2.1
SAP SE	1.6
Apple Inc	1.2
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
Novo Nordisk ADR	-1.8
ASML Holding NV	-1.2
LVMH Moët Hennessy Louis Vuitton	-0.6

## SECTOR EXPOSURE BY SOURCE OF REVENUE<sup>3</sup>



## GEOGRAPHICAL EXPOSURE BY SOURCE OF REVENUE<sup>3</sup>



<sup>3</sup> 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.

<sup>4</sup> Shows how much the stock has contributed to the fund's gross return for the period in AUD. Excludes non-disclosed positions established in the latest quarter.

## Market Commentary

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Global equities lost ground in the March quarter, with the MSCI World Index down 1.8% in USD terms and a touch more in AUD terms as the Australian currency weakened. Initial optimism around Trump's pro-business and pro-growth policies gave way to increased talk about stagflation as heightened economic policy uncertainty and aggressive trade policies roiled market confidence. Over the quarter, markets were increasingly concerned about a US recession, with the 10-year US Treasury yield declining by 35bp to 4.23%. The best performers in the quarter were Energy (+9.2%), Utilities (+6.1%), Financials (+4.9%), and Consumer Staples (+4.8%). In contrast, IT (-12.2%) and Consumer Discretionary (-11.2%) both declined. These moves were driven mainly by a rotation from growth into defensive sectors.

The STOXX Europe 600 was the best-performing index in the quarter, rising by 5.8% in Euros. The move was catalysed by the German government shaking off fiscal constraint to prioritise spending on defence and infrastructure. European outperformance was followed by a 2.9% gain in the MSCI Emerging Markets Index. Most other markets went backwards, led by the Nikkei 225, which fell 10.1%. The S&P 500 declined by 4.4% while the tech-dominated Nasdaq Composite moved sharply lower (-10.3%). Australia's S&P/ASX 200 Accumulation Index was 2.8% weaker and China's CSI 300 lost 1.0%.

The US economic picture looks uncertain in the near term with markets increasingly concerned about the prospect of stagflation. A softening in sentiment-based data did not flow through to economic activity, which has yet to indicate much impact from recent uncertainty. Newsflow during the quarter was dominated by US tariffs on China, Canada and Mexico. Initially announced in February, these policies have generated significant uncertainty. In addition, broader 'reciprocal' tariffs on all major trading partners of the US were anticipated in coming months. Outside of tariffs, the Federal Reserve signalled a cut in its growth outlook but raised its inflation forecasts. As mentioned above, Germany announced a €500 billion infrastructure investment fund to achieve rearmament and growth objectives. In China, there was talk of further fiscal stimulus.

## Fund Commentary

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While the portfolio recorded a negative return for the quarter to March 2025, it did not fall as much as the MSCI World Index. The stocks that contributed the most to the portfolio's return this quarter were Nestlé, Intercontinental Exchange and Yum! Brands, with their defensive revenue streams increasingly sought after by investors as the economic outlook became more uncertain. Intercontinental Exchange's exchange businesses proved to be defensive, with futures and options volumes rising on the back of elevated market volatility. At the same time, its Mortgage Technology businesses benefited from the fall in US interest rates as the falls lead to higher mortgage refinancing activity.

Yum's result was solid, with stabilising sales in the Middle East and China and continued strong momentum in Taco Bell in the US. We remain attracted to Yum's long-term global store roll-out opportunity and its highly franchised and defensive cash-generative business model.

The largest detractors were Amazon, Alphabet and Microsoft, with share prices for higher-growth companies across the market coming under pressure in the quarter. For Amazon, some investors became less confident in the outlook for AI demand, which would crimp growth of its cloud division, while others pointed to the potential negative impact of lower consumer sentiment on its internet retailing business. Alphabet materially upgraded its planned capex spend in FY25, with some investors wondering how attractive the return on this investment might be given uncertainties around AI demand in the short term. There were also renewed concerns regarding the upcoming antitrust trial for its internet search business. Microsoft's result was mixed, with its AI businesses performing well, but non-AI growth falling short of expectations due to recent changes in channel incentives. We believe all three companies are attractively priced.

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

## Outlook

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Market volatility has picked up in recent weeks for two broad reasons – investors have become more concerned about the economic outlook, and share market valuations were on the high side of historical averages, especially in the US.

We agree that downside risks to the growth outlook have increased, driven by uncertainty in the Trump Administration's economic, trade and fiscal policies. Our base sees a slowdown in the first half of this year, followed by recovery as a stimulatory US budget is passed, European growth accelerates on the back of increased defence spending and trade frictions lessen as countries and companies make deals with the US. Importantly, we expect China and Europe to take longer to negotiate trade deals, as their larger economic sizes mean they have relatively more bargaining power. Unfortunately for investors, the negotiation process is likely to involve further economic threats, creating market volatility and uncertainty as deals are negotiated. During this process, there is a reasonable likelihood that governments in both regions protect their economic outlooks by loosening fiscal and monetary policy. Such moves could trigger strong rallies in exposed stocks.

Despite recent market declines, stock market valuations do not look cheap versus history. Before the recent declines, aggregate valuations looked overpriced, particularly among growth companies, with reasonably attractive valuations among defensive companies. Recent market movements have seen the valuations of growth and defensive companies converge. Looking forward, in our base case economic scenario it's unlikely that valuations will become significantly cheaper. However, should our base case not occur, perhaps because the US-China relationship deteriorates further or US fiscal stimulus is not forthcoming, valuations could fall to a point where they are cheap relative to historical averages. That said, we do not expect valuations to get as cheap as they were in the GFC or early stages of Covid for two reasons.

First, the potential impacts of trade decoupling are much better understood by investors than a global financial crisis or global lockdowns. Second, Trump and other world leaders such as President Xi could reverse their actions that are creating economic uncertainty. It is more challenging for policymakers to quickly reverse a global financial crisis or pandemic.

In our base case, investors will look through the first-half slowdown and market returns will be steady. Market interest rates will rise and unemployment will remain low. In this scenario, we are confident that the quality and structural growth themes underpinning the portfolio will enable the portfolio to deliver our investment objectives.

If the economic outlook deteriorates more than we expect, the portfolio's quality and defensive biases will reduce drawdown capture, enabling our investors to sleep well at night.

## The Future of Transport: Innovations transforming how we move

(Claire Britton, Investment Analyst)



The implications are enormous. While these innovations promise greater efficiency, sustainability and convenience, they pose disruptive challenges to traditional transport sectors and adjacent industries. And like every major technological shift, there will be winners and losers. Investors who spot the right opportunities early stand to make the most, while those who ignore these trends will miss the bus.

## The rise of electric vehicles: A market on the move

The transition from internal combustion engine (ICE) vehicles to electric vehicles (EVs) is no longer a question of "if" but "when". Governments worldwide are setting targets to phase out the sale of new ICE vehicles, with Norway leading the way and set to achieve this goal in 2025. The Australian Capital Territory is aiming for 2035. Automakers from Ford and Volkswagen to Mercedes Benz and Tesla are investing billions into the technology.

For investors, the EV market is often synonymous with Tesla, but this market opportunity is much broader than just the automakers. Battery manufacturers are critical participants in the industry, helping to meet the growing demand for longer-lasting and faster-charging batteries. Meanwhile, charging

infrastructure is a crucial adjacent industry to support the adoption of EVs globally, while electricity utilities will also play an instrumental role in this transition.

## The era of autonomous vehicles: A reality, not science fiction

For years, self-driving cars were a concept confined to sci-fi movies. Today, they're real, and companies like Waymo (owned by Alphabet), Tesla, Wayve, BYD and a host of others are advancing at a rapid pace.

Accomplishing self-driving has been a decades-long endeavour with two key 'problems' to solve – the software problem (aka the 'brain') and the hardware problem (aka the 'eyes and ears'). Solving the software problem has necessitated the development of a complex computing system with the ability to process information and make the right decisions under unique driving scenarios in an ever-changing external environment – an excruciatingly difficult task. Meanwhile, solving the hardware problem has required innovation in sensor technology (including camera, lidar<sup>1</sup>, radar<sup>2</sup> and audio receivers) to bring costs down from astronomically high levels<sup>3</sup>.

We are now closer than ever to solving both problems. Take industry leader Waymo for instance. Waymo already operates fully autonomous fleets of robotaxis in Phoenix, San Francisco and Los Angeles (and is expanding to 10 more cities, including Tokyo, in 2025). It is serving over 200,000 fully autonomous paid rides every week – 20x growth in less than two years. Importantly, Waymo's technology is already safer than human drivers with 78% fewer injury-causing crashes<sup>4</sup>. This safety record is a critical factor in achieving regulatory approvals in future markets.



The implications? Enormous. Once freed from manual driving responsibilities, passengers in autonomous vehicles (AVs) have time to allocate as they please – likely benefiting entertainment and social media platforms like Netflix, Spotify, YouTube and Meta. Owning an AV means it could act as your personal chauffeur, ferrying family members to work or school or from one extra-curricular activity to the next, freeing up yet more time. Meanwhile, fleets of robotaxis will not only disrupt the taxi and ridesharing market operators but potentially forms of public transport too.

<sup>1</sup>Light detection and ranging

<sup>2</sup>Radio detection and ranging

<sup>3</sup>When Waymo first entered the market, a single lidar sensor cost c.\$75,000, and Waymo needed several for each car. By 2017 it had reduced this cost by 90%.

<sup>4</sup>Source: <https://waymo.com/safety/impact/>

As robotaxi adoption rises, personal car ownership could decline, hitting traditional automakers, dealers, car insurers and maintenance and repair services. Real estate (particularly parking) will be repurposed, while the value of residential property further from cities may rise. AVs will result in improved safety and fewer road accidents, affecting towing services and emergency services. As the hardware costs continue to fall and the software capabilities continue to improve, we believe mass adoption and commercial viability of AVs is inevitable.

### **Urban air mobility and drones: Investing in the skies**

If roads become too congested, why not take to the skies? That's exactly what companies in the Urban Air Mobility (UAM) sector<sup>5</sup> are planning. Delivery drones, flying taxis and cargo aircraft are set to reshape logistics and transportation.

In the case of drone delivery, your dinner, medications and last-minute gifts could be at your doorstep in minutes, disrupting gig economy workers, as well as how we engage with brick-and-mortar retail. Companies like Wing (owned by Alphabet) and Amazon Prime Air are pioneers in drone logistics and stand to benefit if cost efficiencies can be achieved, particularly within last-mile delivery where over half of the total supply chain costs can often lie. The second-order effects could see reduced road congestion and infrastructure needs at the expense of greater air traffic.

Flying taxis and cargo aircraft (with vertical take-off and landing) are the next extension of this technological breakthrough, with several emerging companies already servicing this market. Major airlines, automotive manufacturers and tech companies are investing in the technology.



### **Hyperloop and high-speed rail: The long shot bets**

While self-driving cars and drones are already in development, high-speed rail and hyperloop technologies are more speculative. The theoretical Transatlantic Tunnel is a high-speed, underwater rail project that would connect New York and London in under an hour, using vacuum tube technology and hyperloop trains to reach speeds of over 5,000 kph by eliminating air resistance.

For investors, this is a high-risk, high-reward play. If a company successfully commercialises hyperloop technology, it could disrupt air travel and even freight and trucking industries. However, there are massive regulatory and infrastructure challenges ahead. Investing in hyperloop is like investing in early-stage space travel, or perhaps supersonic or hypersonic travel – exciting, but with significant uncertainty.

Innovation will continue to make transportation safer, faster, more convenient and more reliable. And with this innovation will come disruption. As investors of client funds, our focus is on identifying where such impactful disruption creates opportunities for attractive returns.



<sup>5</sup>Urban Air Mobility is the use of small, electric aircraft to transport people and cargo in cities. UAM aircraft are small, highly automated, and can take off and land vertically.

## IMPORTANT INFORMATION

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