

# Magellan Global Fund (Hedged)

APIR: MGE0007AU | ARSN: 164 285 661

AS AT 30 SEPTEMBER 2025

## PORTFOLIO MANAGERS

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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.magellaninvestmentpartners.com">www.magellaninvestmentpartners.com</a>

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

TICKER	FUND SIZE	BUY/SELL SPREAD	MANAGEMENT AND PERFORMANCE FEES <sup>1</sup>	INCEPTION DATE
-	AUD \$344.3 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.

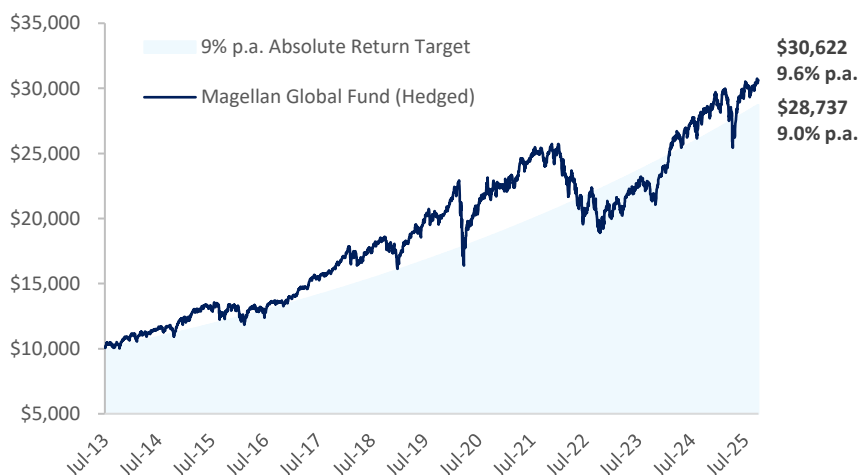
## PERFORMANCE<sup>2</sup>

	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	2.0	1.1	7.7	17.2	6.8	7.4	9.4	9.6	38%
MSCI World NTR Index (A\$ Hedged)*	3.2	7.5	16.7	21.6	13.8	10.9	12.0	11.9	-
Excess	-1.2	-6.4	-9.0	-4.4	-7.0	-3.5	-2.6	-2.3	-

CALENDAR YEAR RETURNS	CYTD (%)	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (% part year)
MGFH	7.6	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)*	14.5	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	-6.9	-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.

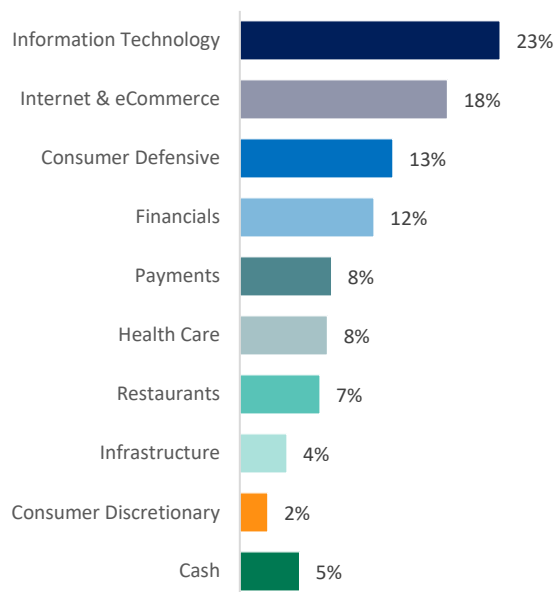
\* Outperformance consistency indicates the percentage of positive excess returns for rolling 3 year returns since inception.

\* MSCI World Net Total Return Index (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.magellaninvestmentpartners.com/funds/benchmark-information/](http://www.magellaninvestmentpartners.com/funds/benchmark-information/)

## TOP 10 HOLDINGS

STOCK	SECTOR <sup>3</sup>	%
Amazon.com	Internet & eCommerce	7.9
Microsoft	Information Technology	7.5
Taiwan Semiconductor	Information Technology	5.1
Alphabet	Internet & eCommerce	4.1
Eversource Energy	Infrastructure	4.1
Meta Platforms	Internet & eCommerce	4.1
SAP	Information Technology	4.0
Visa	Payments	4.0
Mastercard	Payments	4.0
Yum! Brands	Restaurants	4.0
<b>TOTAL:</b>		<b>48.8</b>

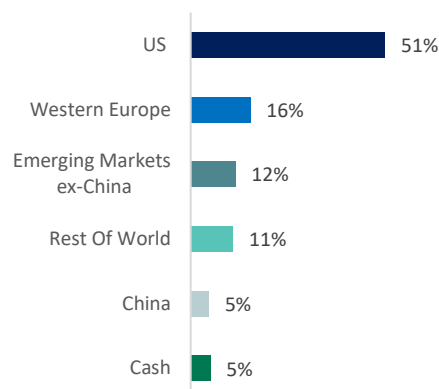
## SECTOR EXPOSURE BY SOURCE OF REVENUE<sup>3</sup>



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

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Netflix	3.0
Microsoft	2.2
Amazon.com	2.0
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
Novo Nordisk	-2.0
UnitedHealth	-1.2
Chipotle Mexican Grill	-1.1

## 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

Global equities gained 7.3% in the September quarter as measured by the MSCI World Index in USD. The rally was less pronounced in AUD terms, appreciating by 6.1% given weakness in the USD. The start of the quarter was marked by the passage of the 'One Big Beautiful Bill Act' and progress on trade policy as the EU, Japan and South Korea all came closer to trade deals with the US. Subsequently, the US Supreme Court challenged the legality of President Trump's IEEPA-based tariffs with a hearing on the matter to begin late this year. We expect the legal challenge to be successful but do not expect that outcome to materially change the course of US trade policy. The Federal Reserve also shifted from maintaining a restrictive monetary policy to ease towards a more neutral stance, prompted by weakening US jobs data. Over the quarter, 10-year US Treasury yields declined by 8 bps. The quarter was bookended by the shutdown of the US government after lawmakers failed to agree on a funding Bill. Market response to the shutdown was limited. Overall, relatively lower uncertainty, expectations of policy easing, and further positive AI-related news flow led to outperformance in growth and cyclical parts of the market. The Tech sector led (+12.4%), followed by the Communication Services (+10.9%), Materials (+9.0%) and Consumer Discretionary (+8.6%) sectors. Relatively, 'defensive' sectors like Consumer Staples (-1.7%) and Healthcare (+3.2%) underperformed.

China's CSI 300 Index was the standout performer in the September quarter, rallying 19% driven by AI-related tech companies and supported by the central government's anti-involution drive. Japan's Nikkei 225 Index also rose 11.6% in the quarter, supported by progress on the US-Japan trade deal. Similarly, rallies in tech-related companies benefited the Nasdaq Composite, which grew by 11.4%. The S&P 500 Index rose by 8% in the quarter. The Australian S&P/ASX 200 (+4.7%) and STOXX Europe 600 (+3.5%) both lagged US markets in the quarter.

Over the September quarter, there was a notable slowing in the US jobs market. Monthly job creation was weak with the high level of uncertainty paralysing business decisions to hire. Curiously, the unemployment rate remained at 4.3% towards the end of the quarter. Despite softness in the US jobs market, the overall US economy remained resilient. US Q2 GDP came in at 3.8%, having been progressively revised up since its initial release. Other indicators were mixed as the ISM manufacturing index edged towards growth territory, but consumer confidence remained poor. Encouragingly, this also meant inflation and inflationary expectations should remain contained, opening the path for further US monetary policy easing back to neutral.

## Fund Commentary

The portfolio underperformed the benchmark over the quarter as more speculative companies performed strongly in the risk-on environment. Investors rotated out of stocks deemed to be at risk of AI disruption and used the more defensive sectors as a funding source for investment into the perceived AI beneficiaries.

The largest contributors to performance over the quarter were Alphabet, TSMC and ASML. Alphabet has performed strongly since the US District Court ruling on the Department of Justice's anti-trust case. The judge ruled that Alphabet did not need to divest any parts of their business and allowed payments to partners for search distribution to continue, although they would be required to share some data with competitors and customers. This meant that the search business model could continue to operate largely unchanged, thereby removing a significant headwind on the stock. Separately, the successful integration and monetisation of AI Overviews within search results have further bolstered investor confidence. Both TSMC and ASML have benefited from positive sentiment across the semiconductor sector after OpenAI announced a series of partnerships with key industry players like Oracle, Nvidia and Broadcom. TSMC was also helped by robust second-quarter results and issuing an upgraded full-year 2025 forecast. Performance was driven by persistent, strong demand for its leading-edge manufacturing capacity, which continues to outstrip available supply. ASML was also buoyed by a strategic equity investment by Nvidia into key customer Intel.

The largest detractors to the portfolio's performance over the quarter were Chipotle Mexican Grill, Intuit & SAP. Chipotle detracted from performance after reporting disappointing second-quarter revenue and subsequently downgrading its full-year guidance. The results were affected by a broad-based pullback in discretionary spending by US consumers and soft industry-wide restaurant traffic. We view these pressures as cyclical rather than structural with the long-term thesis based on the long runway for store expansion intact and tailwinds supporting the Mexican food and health-conscious QSR category. Intuit underperformed following the release of forward guidance for its Small and Medium Business (SMB) segment that was modestly below consensus expectations. We attribute this conservatism to a more moderate pricing strategy for the upcoming period rather than a fundamental deterioration in end-market demand. SAP faced headwinds amid market concerns regarding the disruptive potential of AI. While we acknowledge the validity of some concerns, we believe the market's reaction has been indiscriminate with SAP well-positioned as the market leader in the highly defensible Enterprise Resource Planning (ERP) category, while also benefiting from the tailwind of accelerating cloud adoption.

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

## Outlook

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We maintain a constructive outlook for equity markets, anticipating a continued upward trend underpinned by resilient corporate earnings growth. This positive base case is reinforced by powerful dual tailwinds from both fiscal and monetary policy.

Fiscal policy remains highly expansionary. US government deficits are at levels typically associated with major crises like wars, recessions or the covid-19 pandemic. European nations are also embarking on fiscal stimulus in the form of infrastructure and defence spending. Concurrently, monetary policy is becoming more accommodative, as many of the major central banks embark on rate-cutting cycles, most notably the US Federal Reserve. These supportive measures are being implemented against a backdrop of a resilient economy, moderating inflation, and prospects for more international trade agreements, creating a favourable environment for risk assets.

Consistent with our base case outlook, we are taking the maximum permitted level of risk for the portfolio – with this risk level 20% below that of the overall market. We are, however, cognisant of the prevailing risks. Valuation multiples, particularly in the United States, are elevated and market sentiment is optimistic. The latter is evidenced by rising retail participation in markets and the VIX Index, often referred to as the “fear gauge”, trading at low levels. Much of this is the result of the AI-related stocks, which have driven the majority of the earnings growth and returns in the market since the launch of ChatGPT in November 2022. While we believe AI is a genuinely revolutionary technology – for markets, economies and society – we remain vigilant, given sentiment towards this theme can be volatile and subject to rapid reversals, as witnessed during the ‘DeepSeek moment’ earlier this year.

We manage this risk by maintaining a balanced portfolio with strategic allocations to defensive, high-quality companies. The prospective returns from these defensive holdings have become increasingly attractive. Many of these stocks have underperformed despite their fundamentals remaining robust, largely because they have been used as a source of funds for investors rotating into AI-related themes.

Furthermore, we recognise that the consumer landscape is changing with signs of financial stress among lower-income households and resilience in higher income households. Consequently, we see opportunities to be positioned both in companies more exposed to higher-end consumers as well as in stocks that can benefit from consumers “trading down” to value offerings. The healthcare sector also presents compelling opportunities, offering a combination of resilient growth, modest investor expectations and attractive valuations. Consequently, should market returns prove weaker than anticipated, we are confident in the portfolio's ability to outperform the broader market.

We remain confident that our disciplined investment process will enable the portfolio to achieve its dual objectives: delivering attractive risk-adjusted returns over the medium to long-term; while reducing the risk of permanent capital loss. The fund aims to deliver 9% per annum net of fees over the economic cycle. Our portfolio management is supported by a talented team of analysts dedicated to identifying the highest-quality companies and the most compelling investment opportunities on a global scale.

## Stock Story: CME

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(Emma Williams - Investment Analyst)



CME Group (CME) is the world's leading derivatives marketplace and serves as a core defensive holding within the Magellan Global Fund. CME operates a diversified exchange business across major asset classes – including interest rates, equities, foreign exchange and commodities – providing a natural hedge during periods of market volatility.

Not all exchange businesses are created equal. Derivative exchanges are amongst the highest quality, operating as a near monopoly in key contracts and proprietary benchmarks given the significant network effects generated from liquidity, clearing and benchmark status. This near-monopoly creates capital efficiencies and substantial barriers to entry for potential competitors.

These quality attributes we believe have been critical in CME's consistent and exceptional financial performance. For CME, 2024 was the best year in its history, followed by record-breaking results in the first half of 2025. This strength is reflected in its best-in-class profitability, with operating margins reaching 68% in 2024. CME's business model thrives on uncertainty, as market participants increasingly turn to derivatives to hedge risk. Recent trading volumes have been bolstered by geopolitical instability in Ukraine, Russia and the Middle East, shifting global supply chains and macroeconomic uncertainty. The firm has proven its operational resiliency during extreme market stress, notably transferring a record US\$32 billion in mark-to-market cash in a single day following the announcement of US tariffs in April 2025, up 45% on the previous single-day record.

In parallel with these cyclical tailwinds, CME has pursued strategic initiatives to drive structural growth. Key developments include the successful launch of new derivative products, the creation of innovative platforms and expansion into international and retail markets. While still a minority business segment, the retail customer base has shown rapid growth, aided by strategic partnerships with brokers like Robinhood and investment in education. This has led to strong retail demand for contracts on gold and cryptocurrencies like Bitcoin and Ethereum that, importantly, diversify CME's revenue streams while maintaining the quality of earnings.

Given this attractive and resilient profit pool, new competitors continue to try their luck. The latest launch attempt, the FMX Futures Exchange, was launched in September 2024. With backing from several major investment banks and market makers, FMX is attempting to challenge CME's dominant position in interest rate futures. FMX's primary strategic differentiator is its partnership with the London Stock Exchange Group's LCH Clearing Services, the largest clearer of interest rate swaps. FMX argues this partnership allows customers to achieve superior cost efficiencies by reducing the amount of collateral required.

A year after launch, FMX has failed to gain meaningful traction. Its market share remains negligible, with most of the trading activity likely incentivised. CME's deep liquidity, which provides a tangible cost advantage to traders through tight bid-ask spreads and compelling cross-margining efficiencies, continues to attract volumes. Additionally, in periods of heightened volatility (for example, Liberation Day in April 2025), market participants fled to established exchanges like CME. Given our strong view on CME's quality attributes, we expect CME to maintain its dominance and view any share price weakness from this competitive threat as a buying opportunity for the Fund.

CME, thus, is well placed to grow above GDP with a high degree of confidence and is a beneficiary in the current world of elevated uncertainty and volatility.

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