Magellan Global Opportunities Fund

ARSN: 682 380 892

MAGELLAN ASSET MANAGEMENT

MAGELLAN GLOBAL OPPORTUNITIES FUND - CLASS A UNITS I APIR: MGE5500AU

AS AT 31 MARCH 2025

PORTFOLIO MANAGER 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 outperform the MSCI World Net Total Return Index (AUD) net of fees over periods of three years or longer.	A portfolio of 20-40 investments which we believe can achieve sufficient diversification to ensure the Fund is not overly correlated to a single company, or to industry specific or macroeconomic risks. The Fund aims to invest in companies that have sustainable competitive advantages which translate into returns on capital in excess of their cost of capital for a sustained period of time. Cash and cash equivalents exposure between 0 - 5%.	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 www.magellangroup.com.au.

MAGELLAN GLOBAL OPPORTUNITIES FUND – CLASS A UNITS: KEY PORTFOLIO INFORMATION

FUND SIZE	BUY/SELL SPREAD	MANAGEMENT AND PERFORMANCE FEES[1]	INCEPTION DATE[2]
AUD $1.7 million	0.10% / 0.10%	0.75% p.a. and performance fee of 10% of excess return^	1 January 2022

^ Performance fees are 10% of the excess return of the units of the Fund above the MSCI World Net Total Return Index (AUD) over each Calculation Period.

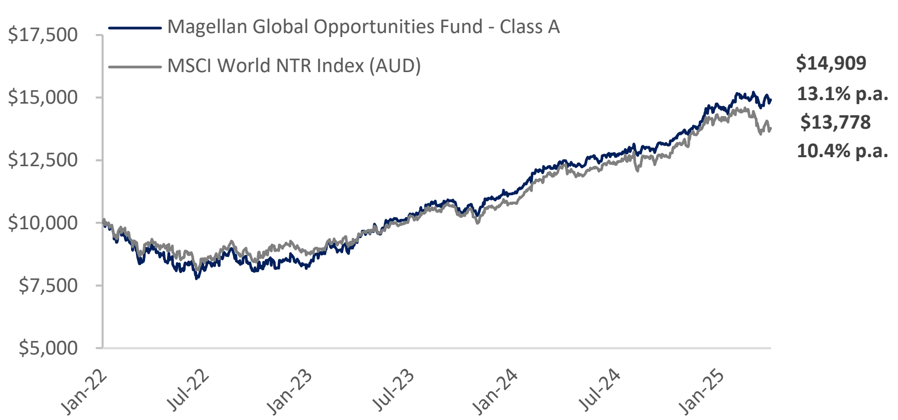
PERFORMANCE[3]

	1 MONTH (%)	3 MONTHS (%)	1 YEAR (%)	3 YEARS (% p.a.)	Since Inception (% p.a.)
MGOF - Class A	-2.1	2.0	19.4	18.6	13.1
MSCI World NTR Index (AUD)[4]	-4.7	-2.4	12.1	14.5	10.4
Excess	2.6	4.4	7.3	4.1	2.7

CALENDAR YEAR RETURNS	CYTD (%)	2024 (%)	2023 (%)	2022 (%)
MGOF - Class A	2.0	30.7	35.2	-17.3
MSCI World NTR Index (AUD)[4]	-2.4	30.8	23.0	-12.2
Excess	4.4	-0.1	12.2	-5.1

Past performance is not a reliable indicator of future performance.

PERFORMANCE CHART GROWTH OF AUD $10,000[3]



Past performance is not a reliable indicator of future performance.

[1] Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST. Effective 1 July 2024, the management fee was reduced from 1.05% p.a. to 0.75% p.a. and the performance fee changed from '12.5% of the excess return of the Fund above the "Absolute Return" hurdle of 10% p.a.' to '10% of the excess return of the Fund above the MSCI World Net Total Return Index (AUD)'.

[2] The Fund was established on 1 January 2022 as an unregistered managed investment scheme. The Fund was registered with ASIC as a managed investment scheme in December 2024 and became available to retail investors on 23 December 2024.

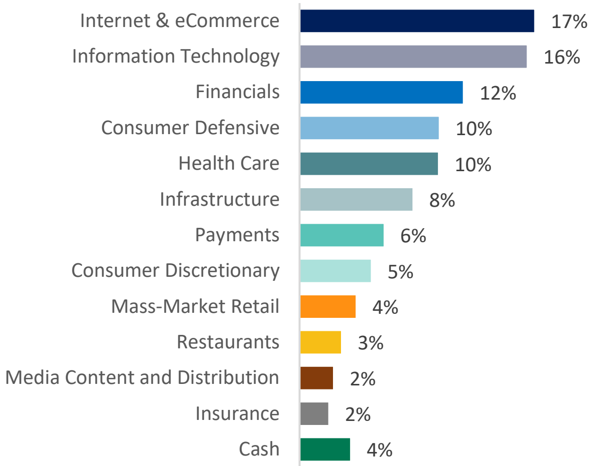
[3] Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

[4] 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.magellangroup.com.au/funds/benchmark-information/

TOP 10 HOLDINGS

STOCK	SECTOR[5]	%
Microsoft Corporation	Information Technology	7.8
Mastercard Inc	Payments	6.1
Amazon.com Inc	Internet & eCommerce	5.8
Alphabet Inc	Internet & eCommerce	5.2
Nestlé SA	Consumer Defensive	4.3
American Tower Corporation	Infrastructure	4.2
Reckitt Benckiser Group	Consumer Defensive	4.1
Dollar General Corporation	Mass-Market Retail	4.1
Eversource Energy	Infrastructure	4.0
Meta Platforms Inc	Internet & eCommerce	4.0
	TOTAL:	49.5

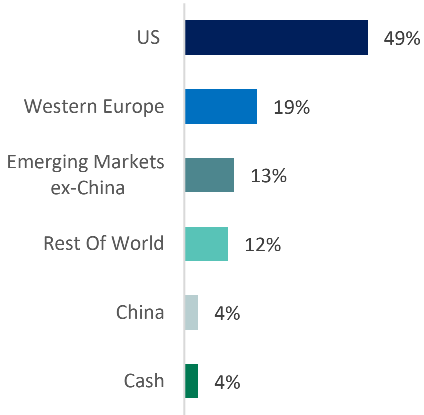
SECTOR EXPOSURE BY SOURCE OF REVENUE[5]



TOP CONTRIBUTORS/DETRACTORS 1 YEAR[6]

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Lloyds Banking Group Plc	2.1
Netflix Inc	1.8
Taiwan Semiconductor - SP ADR	1.6
TOP 3 DETRACTORS	**CONTRIBUTION TO RETURN (%)**
Dollar General Corporation	-1.4
Diageo Plc	-0.5
Microsoft Corporation	-0.4

GEOGRAPHICAL EXPOSURE BY SOURCE OF REVENUE[5]



[5] 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.
[6] 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 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

The fund delivered strong outperformance in the quarter, reflecting the high-quality nature of companies comprising the portfolio as well as relatively defensive positioning. Key contributors included Nestlé, Lloyds Banking Group and American Tower. Nestlé's share price has outperformed broader equity markets, primarily reflecting a market rotation into defensive, high-quality names in response to rising macroeconomic uncertainty. Lloyds delivered a solid earnings result in the period and guided to continued growth in net interest income in 2025 on higher UK interest rates. American Tower benefited from a Q4 result that demonstrated solid underlying earnings growth across its portfolio as well as a decline in US treasury yields and general "risk-off" sentiment.

Key detractors included Alphabet, Microsoft and Amazon. Alphabet's underperformance can be attributed primarily to a meaningful increase in its planned capex spend in FY25 (driven by AI investments), as well as renewed concerns regarding its upcoming Search antitrust trial. Despite strength in Microsoft's AI businesses, Microsoft's underperformance was the result of non-AI growth falling short of expectations due to recent changes in channel incentives, which the company plans to readjust. Amazon's recent weak performance reflects normalisation after strong performance in prior months, due in part to rising concerns around AI capex spend and the strength of the US economy.

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

Outlook

The Trump administration's tariff policies have inflicted significant uncertainty on future trade relationships, economic growth, and inflation outcomes. The exact purpose, final rates and potential retaliation to the tariffs remain in flux. Our base case is that the initial announcements reflect a mix of both structural goals, such as reshoring and decoupling from China, and transactional goals. We assess the minimum tariff rate of 10% and higher China tariffs to be more structural in nature while reciprocal tariffs on other nations are more transactional in nature and thus more likely to be negotiated lower. However, outcomes remain uncertain with the impact on US and global growth ranging from manageable to significant. The tariffs are inflationary in the first instance, putting upward pressure on interest rates, although if growth were to slow significantly this would ultimately place downward pressure on both inflation and rates. The risk of a US recession is elevated, although our base case is that part of the tariffs are wound back and a recession is avoided.

Equity markets have fallen significantly in response to the tariff announcement. However, given elevated starting valuations and the potential impact on earnings from lower growth and higher input costs, we judge equity markets as moving towards fair value as opposed to significantly undervalued. The portfolio's defensive positioning has provided downside protection. As elevated risks are not yet overly discounted in equity valuations we maintain our defensive positioning, albeit opportunities at the individual stock level are always present and will be acted upon. The high-quality companies that comprise the portfolio have shown their resilience in the current environment, and we believe that they remain well placed to deliver strong earnings, and share price growth, over the long term.

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[1], radar[2] and audio receivers) to bring costs down from astronomically high levels[3].

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[4]. 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.

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.

[1]Light detection and ranging
[2]Radio detection and ranging

[3]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%.
[4]Source: https://waymo.com/safety/impact/

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[5] 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 break-through, 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.

[5]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