

# Magellan Global Opportunities Fund No. 1

ARSN: 682 380 892 | APIR: MGE5500AU

AS AT 31 MARCH 2026

## INVESTMENT TEAM

**ALAN PULLEN, PORTFOLIO MANAGER**

**RYAN JOYCE, CFA, DEPUTY PORTFOLIO MANAGER**

### INVESTMENT PHILOSOPHY

To invest in outstanding companies at attractive prices, while exercising a deep understanding of the macroeconomic environment to manage investment risk.

### OBJECTIVE

The Fund aims to outperform the MSCI World Net Total Return Index (AUD), after fees, over periods of three years or longer.

### PORTFOLIO CONSTRUCTION

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%.

### INVESTMENT RISKS

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.magellaninvestmentpartners.com](http://www.magellaninvestmentpartners.com).

## MAGELLAN GLOBAL OPPORTUNITIES FUND No. 1: KEY PORTFOLIO INFORMATION

FUND SIZE	BUY/SELL SPREAD	MANAGEMENT FEES <sup>1</sup>	INCEPTION DATE <sup>2</sup>
AUD \$1.9 million	0.10% / 0.10%	0.75% p.a.	1 January 2022

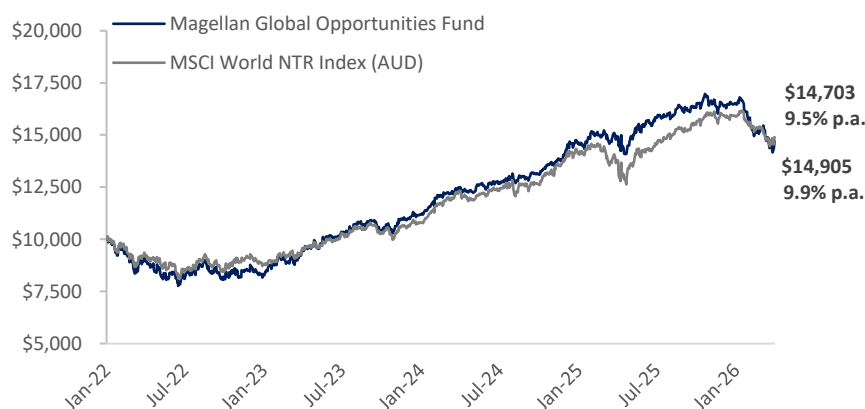
## PERFORMANCE<sup>3</sup>

	1 MONTH (%)	3 MONTHS (%)	1 YEAR (%)	3 YEARS (% p.a.)	Since Inception (% p.a.)
MGOF	-4.3	-11.0	-1.4	15.5	9.5
Benchmark <sup>4</sup>	-2.6	-6.1	8.2	15.9	9.9
Excess	-1.7	-4.9	-9.6	-0.4	-0.4

CALENDAR YEAR RETURNS	CYTD (%)	2025 (%)	2024 (%)	2023 (%)	2022 (%)
MGOF	-11.0	13.0	30.7	35.2	-17.3
Benchmark <sup>4</sup>	-6.1	12.4	30.8	23.0	-12.2
Excess	-4.9	0.6	-0.1	12.2	-5.1

Past performance is not a reliable indicator of future performance.

## PERFORMANCE CHART GROWTH OF AUD \$10,000<sup>3</sup>



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<sup>1</sup> Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST. Effective 15 September 2025 the performance fee was removed. 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)'.

<sup>2</sup> 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.

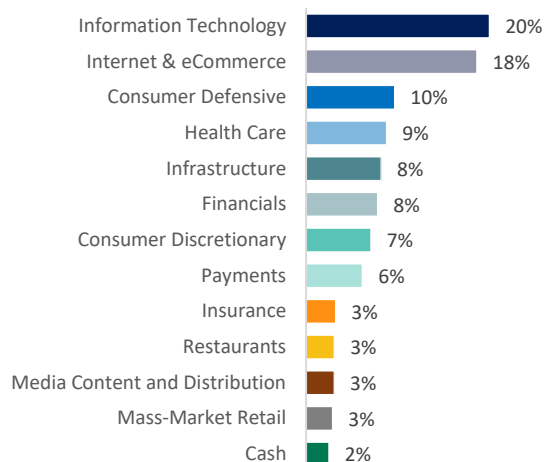
<sup>3</sup> Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

<sup>4</sup> 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

## TOP 10 HOLDINGS

STOCK	SECTOR <sup>5</sup>	%
Microsoft	Information Technology	7.3
Amazon.com	Internet & eCommerce	6.9
Mastercard	Payments	6.1
Taiwan Semiconductor	Information Technology	5.8
Meta Platforms	Internet & eCommerce	4.9
SAP	Information Technology	4.7
American Tower	Infrastructure	4.1
S&P Global	Financials	4.1
Adidas	Consumer Discretionary	4.1
Nestlé	Consumer Defensive	4.1
<b>TOTAL:</b>		<b>52.1</b>

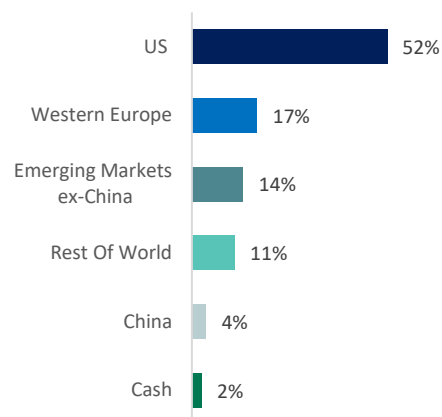
## SECTOR EXPOSURE BY SOURCE OF REVENUE<sup>5</sup>



## TOP CONTRIBUTORS/DETRACTORS 1 YEAR<sup>6</sup>

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Taiwan Semiconductor	2.7
Alphabet	1.8
ASML	1.3
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
SAP	-2.1
UnitedHealth	-1.9
Universal Music	-1.1

## GEOGRAPHICAL EXPOSURE BY SOURCE OF REVENUE<sup>5</sup>



<sup>5</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>6</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 share prices, as measured by the MSCI World Index, declined by 3.6% in USD in the March quarter of 2026. The appreciation of the AUD meant the decline was more pronounced in AUD at -6.1%. Gains in January gave way to a significant market drawdown in March. In January, markets were shaped by renewed geopolitical and trade tensions between the US and the EU following President Trump's comments on his intent to acquire Greenland. A broader message from the World Economic Forum in Davos was that the world was moving away from a US-led order. In February, investor attention shifted to rapid AI disruption after Anthropic's new Claude tools triggered fears over the earnings durability of software and related services. Although the broader index was little changed, this masked significant sectoral rotation. In late February, military offensives launched by the US and Israel against Iran became the dominant driver of global markets. Stronger-than-expected Iranian resistance, repeated attacks on energy infrastructure and disruption to shipping through the Strait of Hormuz drove a sharp rise in oil and gas prices and raised concerns about prolonged inflation and energy shortages globally. The key implication for markets over the quarter was a swing from a modest growth backdrop and manageable inflation post-US tariffs towards a more stagflationary environment. Unsurprisingly, the Energy sector (+37.7%) outperformed significantly during the March quarter while inflation-protected real asset exposure in Utilities (+9.6%) was generally favoured. In contrast, the Discretionary sector (-10.4%) underperformed the most on concerns of inflation/consumer weakness, followed by the Tech (-8.9%) and Communication Services (-6.7%) sectors on fears of AI threats to software.

Across regional equity markets, quarterly performance ultimately reflected differing exposure to the two dominant shocks of the period: first, the AI-driven reassessment of software and technology valuations, and second, the late-quarter energy shock. Markets that had benefited earlier in the quarter from domestic reflation or policy support, such as Japan and Europe, gave back performance as the conflict escalated. Despite Japan's exposure to imported energy, the Nikkei 225 Index outperformed over the March quarter, rising by 2.0% while Europe's STOXX 600 Index declined 1.0%. Owing to relatively tech-heavy exposure, the S&P 500 declined by 4.4% over the quarter, as highlighted by the Nasdaq's -7.0% quarterly move. Australia's S&P/ASX 200 Accumulation Index (-1.6%) and China's CSI 300 Index (-3.7%) were middle of the pack.

Economic data throughout the March quarter suggested that global activity was generally resilient at the start of the year, but that by quarter end the outlook had become more vulnerable to an energy-led inflation shock. In the US, January and February data pointed to solid activity, with stronger retail sales, improved manufacturing ISM readings and moderating inflation, giving the Fed some room to support growth. By February, payrolls had softened and other labour market indicators suggested a low-hiring, low-firing environment. The Fed's communication by late March indicated a holding bias so long as longer-term inflation expectations remained anchored. In Europe, January data supported a trend-growth narrative,

while February still pointed to sub-par but resilient conditions. By March, however, inflation readings in parts of the continent had surprised on the upside, confidence had weakened and ECB forecasts shifted towards slower growth and higher inflation as energy costs fed through, prompting governments to begin rolling out support measures for households. In China, the quarter was characterised by more modest growth but continued policy support, with February and March seeing firmer activity data and an accommodative stance reinforced by fiscal measures and strategic priorities for household stimulus and key technologies.

## Portfolio Commentary

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The portfolio underperformed the benchmark over the quarter in an increasingly volatile market that saw significant rotations between sectors and thematics. AI safe havens in the form of Staples and Health Care benefited early in the quarter, but this reversed later in the quarter, given the inflationary pressures driven by the US-Israel-Iran conflict. At the same time, pressure on stocks at risk of AI disruption remained in place.

The largest contributors to the portfolio's performance over the quarter were Taiwan Semiconductor Manufacturing Corp (TSMC), US Bancorp, and ASML. TSMC performed strongly in response to strong AI chip demand. This saw TSMC raise their 5-year (2024-29) revenue growth guidance by 5 percentage points to a CAGR of 25% p.a. While the growth will be supported by a large increase in FY26 capex, TSMC also raised its long-term gross margin guidance, signalling confidence in its ability to drive productivity, cost efficiencies and pricing power. Topping this off, TSMC also reported a strong 4Q25 result that beat their guidance, driven by exceptionally strong gross margins. US Bancorp delivered a solid earnings update in the quarter and was expected to benefit from higher Net Interest Income due to a potential steepening in the US yield curve. ASML reported an exceptional bookings quarter in 4Q25 as customers expanded manufacturing capacity plans in response to strong demand for AI chips and the global shortage in memory chips. Both of these drivers are expected to remain tailwinds over the next two years. Consequently, ASML raised their FY26 growth guidance, which has since been bolstered by supportive announcements by memory customers.

Key detractors included Microsoft, SAP and Universal Music Group. After performing strongly earlier in the year on accelerating growth in Azure, Microsoft gave back some of the strong performance. This was driven primarily by moderating optimism on Microsoft's AI positioning via its close relationship with OpenAI due to strong execution at Google and Anthropic. While short-term relative performance will continue to be affected by shifting views on AI positioning, taking a longer-term perspective we view all of the incumbent cloud providers as winners. SAP underperformed on a combination of sector-wide concerns regarding AI disruption and delays in customer upgrades due to the uncertainty created by US tariffs. We consider AI concerns as they relate to SAP as misplaced, and view near-term delays to customer upgrades as irrelevant to its medium-term earnings potential. Universal Music's share price came under pressure due to concerns about the disruption by AI of the value of music due to music generation capabilities,

the role of labels in the music industry, and UMG's business quality given poor free cash flow conversion in 2025, which is expected to continue in 2026. We view AI disruption concerns as overblown. Music has been cheap to create for a long time. The challenge for artists is breaking through to music fans, maintaining momentum or becoming part of pop culture, and maximising the economic value of their music. This is the role labels play and we do not expect AI to meaningfully change this. UMG's poor free cash flow conversion is of more concern and could suggest an erosion in terms with artists. However, a meaningful portion of the impact is also timing-related.

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

## **Outlook and Portfolio Manager view**

We entered the year navigating a fragile set of risk factors, from the anxieties of AI disruption and private credit liquidity to the uncertainties of tariff policies. The subsequent emergence of the US-Israel-Iran conflict has introduced a new set of risks to the market. The transformation of the Strait of Hormuz into a global economic chokepoint has triggered a sharp escalation in energy costs, with oil prices surging as much as 70% at their peak. This "oil disruption premium" functions as a pervasive tax on global consumption and production alike. The dual threats of revitalised inflation and physical supply-chain interruptions have catalysed a significant increase in market volatility, prompting aggressive rotations across sectors and thematic exposures, albeit the overall market performance has remained surprisingly solid, with markets returning close to record highs following news of a tentative ceasefire in the Middle East.

Nonetheless, this elevated risk environment and corresponding correction in sentiment have led to bouts of indiscriminate selling of what we consider high-quality stocks with strong long-term earnings growth prospects. With share prices having fallen, but the intrinsic value unchanged, the expected returns have become compelling for many stocks. Indeed, expected returns across many portfolio holdings are higher than they have been since the post-Covid period. While remaining mindful of the elevated risk environment, we are taking this opportunity to increase our investment in a number of companies where we anticipate strong long-term compound growth in earnings, cash flows, and value.

## **Stock Story: SAP**

(Adrian Lu - Senior Investment Analyst)



In 2020, SAP embarked on a renewed strategy for the largest business model shift in its history.

The mission was to catalyse and accelerate customer adoption of its reinvigorated cloud software portfolio, unlocking new capabilities and efficiencies for its customers while expanding market opportunities for SAP. It was effective. Since that time, SAP has delivered strong annual growth in its cloud ERP business (over 30% growth in 2025). Yet only a few years in and still at the relatively early stages of its successful multi-year growth runway, SAP now faces a new emergence in the technology landscape that many are perceiving to be a disruptive threat to its peers. Is AI about to eat the software that has been eating the world?

Enterprise software is home to some of the best business models in the world, and nowhere is this more evident than in ERP (Enterprise Resource Planning). ERP is the central nervous system of the enterprise, powering mission-critical processes across the organisation in a seamless suite of integrated software. Companies simply cannot run without it.

SAP is the market leader in ERP and related application software, formed through decades of expertise since its founding in 1972. This leadership is evident in the fact that 99 of the 100 largest companies in the world run SAP, and 84% of total global commerce volume is generated by SAP customers. Its solutions span many functional areas including finance, procurement, human resources, and warehouse and transportation management.

AI is already having an effect on the software industry, but its impact will vary significantly across the spectrum of vendors. Software is as diverse as the applications and industry verticals it serves. We will see some vendors disrupted. By the same token, we will see winners among the vendors who are able to leverage AI in a differentiated way. SAP is among the best-positioned software vendors to capture the AI opportunity, rather than be disrupted by it, in our view.

Rapid advancements in AI offer potential to solve new problems or to operate more effectively, and companies are increasingly looking towards leveraging it. The rich proprietary data flowing through ERP systems make SAP particularly well-suited to deliver these solutions. Integrating AI can help companies extend workflow automation, enhance predictive analytics, and improve decision-making. SAP's position as the system of record for its customers' core operational data puts it in the privileged position of having the richest insights and contextual awareness on which AI depends to unlock value. This is not a position that can be replicated by vibe coding.

Nor can SAP's trusted position as a proven partner powering many of the most complex organisations in the world across 26 industries with deep expertise. The critical role ERP plays for enterprise customers to run their businesses makes the cost of errors high, and customers are better served by leaning on SAP to exploit the power of AI rather than subject their operations to unnecessary risk. SAP has always solved complexity, and AI is the new layer of complexity.

ERP and related application software have been around for decades, but the innovation pipeline is more exciting than it has ever been. Cross-border complexity is rising. Supply chains are becoming more sophisticated. Emissions-reporting frameworks require new ways to track and manage climate-related disclosures. AI is another opportunity for SAP to expand its footprint within its customers and adds impetus for these customers to adopt SAP's cloud products, providing a runway for significant growth in the years to come.

## IMPORTANT INFORMATION

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