

Magellan Global Opportunities Fund No. 2

ARSN: 164 285 947 | CLASS A - APIR: MGE0005AU | CLASS B - APIR: MGE9885AU

AS AT 30 SEPTEMBER 2026

PORTFOLIO TEAM		ALAN PULLEN, PORTFOLIO MANAGER		
		RYAN JOYCE, CFA, DEPUTY PORTFOLIO MANAGER		
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.	The Funds aim is to outperform the MSCI World Net Total Return Index (AUD), after 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.magellaninvestmentpartners.com

MAGELLAN GLOBAL OPPORTUNITIES FUND NO. 2: KEY PORTFOLIO INFORMATION

CLASS	FUND SIZE	BUY/SELL SPREAD	MANAGEMENT FEE ¹	INCEPTION DATE
A	AUD \$124.9 million	0.10% / 0.10%	0.75% p.a.	1 July 2013
B	AUD \$6.5 million	0.10% / 0.10%	0.75% p.a.	15 November 2017

FUND PERFORMANCE² - MAGELLAN GLOBAL OPPORTUNITIES FUND No. 2

	1 Month (%)	3 Months (%)	1 Year (%)	Since strategy change (% p.a.) [^]	3 Year (% p.a.)	5 Year (% p.a.)	7 Year (% p.a.)	10 Year (% p.a.)	Since Inception (% p.a.)
Magellan Global Opportunities Fund No. 2 - Class A [^]	0.0	5.5	-0.5	0.5	12.4	5.5	7.2	9.8	11.1
Benchmark ³	1.8	1.5	9.8	11.0	18.4	12.7	13.4	13.9	13.9
Excess	-1.8	4.0	-10.3	-10.5	-6.0	-7.2	-6.2	-4.1	-2.8
Magellan Global Opportunities Fund No. 2 - Class B [^]	0.0	5.5	-0.4	0.6	12.6	6.0	7.6	-	8.4
Benchmark ³	1.8	1.5	9.8	11.0	18.4	12.7	13.4	-	13.4
Excess	-1.8	4.0	-10.2	-10.4	-5.8	-6.7	-5.8	-	-5.0

Past performance is not a reliable indicator of future performance.

[^] The Magellan Global Opportunities Fund No.2 changed its investment strategy from the Magellan High Conviction strategy on 15 September 2025. Performance prior to this date relates to the former investment strategy.

STRATEGY PERFORMANCE² - MAGELLAN GLOBAL OPPORTUNITIES REPRESENTATIVE ACCOUNT - FOR INFORMATION ONLY

The performance of the Magellan Global Opportunities Fund No.1 is presented in the table below as a representative account to provide a longer-term view of the Fund's current investment strategy and is not the performance of the Magellan Global Opportunities Fund No.2.

	1 Month (%)	3 Months (%)	1 Year (%)	3 Year (% p.a.)	Since Inception (% p.a.)
Magellan Global Opportunities Fund No.1	0.0	5.5	-0.7	16.0	10.7
Benchmark ³	1.8	1.5	9.8	18.4	11.8
Excess	-1.8	4.0	-10.5	-2.4	-1.1

Past performance is not a reliable indicator of future performance. The inception date of the Magellan Global Opportunities Fund No.1 is 1 January 2022. 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)'. Effective 15 September 2025 the performance fee was removed.

¹ 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 management fee was reduced from 1.50% p.a. for Class A and 0.78% p.a. for Class B to 0.75% p.a. and the performance fee was removed. Until 14 August 2025, the Class A performance fee was 10% of the excess return of the Class A Units of the Fund above the Absolute Return Performance Hurdle of 10% p.a. Additionally, performance fees were subject to a high water mark; The Class B performance fee was 20% of the excess return of the Class B Units of the Fund above the Absolute Return Performance Hurdle of 10% p.a. Additionally, performance fees were subject to a high water mark and a cap of 2.22% p.a. From 15 August 2025 to 14 September 2025, the performance fee for the Fund was waived.

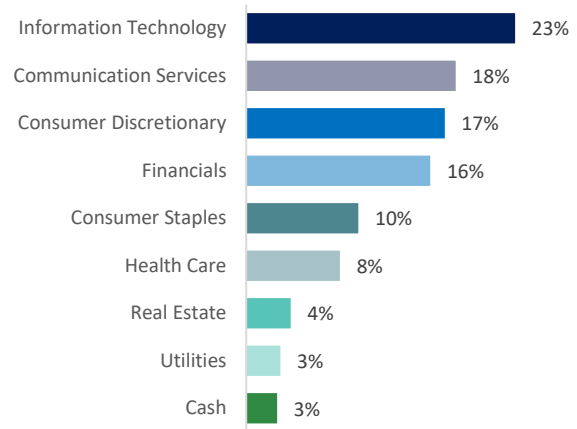
² Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

³ 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/.

TOP 10 HOLDINGS

STOCK	SECTOR ⁴	%
Microsoft	Information Technology	8.1
Taiwan Semiconductor	Information Technology	7.9
Alphabet	Communication Services	7.2
Amazon.com	Consumer Discretionary	7.0
SAP	Information Technology	4.7
Meta Platforms	Communication Services	4.7
Mastercard	Financials	4.6
S&P Global	Financials	4.0
Berkshire Hathaway	Financials	4.0
Netflix	Communication Services	3.9
TOTAL:		56.2

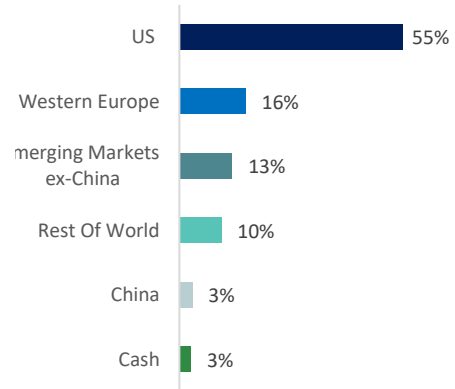
SECTOR EXPOSURE⁴



TOP CONTRIBUTORS/DETRACTORS 1 YEAR⁵

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Taiwan Semiconductor	3.0
Thermo Fisher Scientific	1.2
Alphabet	1.1
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
Universal Music	-1.3
SAP	-1.0
Netflix	-0.9

GEOGRAPHICAL EXPOSURE BY SOURCE OF REVENUE⁴



⁴ 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.

⁵ 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 share prices, as measured by the MSCI World Index, rose modestly in the September quarter of 2026, gaining 1.9% in USD terms and 1.5% in AUD, with the Australian dollar broadly unchanged over the quarter (+0.4% against the USD). The modest headline return masked considerable volatility: a sharp correction in the AI-related names in July, a partial recovery in August, and a narrow, technology-led market in September. Energy was the strongest sector over the quarter (+15.1%), a reversal from the June quarter, as the renewed US–Iran conflict and the return of risks to shipping through the Strait of Hormuz pushed oil prices sharply higher (WTI crude +30.1%). Information Technology also rose (+6.2%), though the more speculative data centre and semiconductor names gave back a good part of the June quarter's extraordinary gains as stretched valuations began to unwind. The rate-sensitive and cyclical sectors generally fell as bond yields rose, with Utilities (-9.5%), Industrials (-5.7%), Real Estate (-5.5%), Consumer Discretionary (-4.4%) and Consumer Staples (-2.6%) all declining. Elsewhere, Health Care (+3.6%), Communication Services (+3.6%), Financials (+1.8%) and Materials (+1.3%) all posted gains.

Regional performance largely reflected these same influences. Japan's Nikkei 225, the strongest market in the June quarter, was among the weakest over the September quarter (-4.2%), as the earlier relief on imported energy costs unwound. China's CSI 300 was the weakest major market (-11.8%), weighed down by continued softness in domestic demand and a manufacturing sector that remained in contraction. Emerging markets as a whole were little changed (-0.4% in USD). The US market was relatively resilient, with the Nasdaq up 2.6% and the S&P 500 up 2.2%, supported by the large technology names. European markets were mixed (STOXX 600 -0.7%, DAX +0.8%) as higher bond yields and renewed fiscal concerns weighed, and Australia's S&P/ASX 200 Accumulation Index rose 1.3%, helped by its larger weighting to resources and energy.

The broader macroeconomic backdrop was less favourable than in the June quarter. The earlier de-escalation that had brought energy prices down was reversed by renewed conflict in the Middle East, with further US and Iranian strikes, a broadening of the conflict across the region, and a new Saudi-led defence arrangement all pointing to a more entrenched dispute and continued upward pressure on oil prices. Economic activity nonetheless remained resilient: business surveys pointed to continued expansion, and manufacturers across North Asia recorded particularly strong conditions on the back of AI-related demand. Inflation remained elevated, however, and rose further in parts of Europe and in Japan. The shift in interest rate expectations evident in the June quarter turned into actual tightening, with central banks in most major economies now raising rates, while government bond yields rose sharply: the US 10-year Treasury yield increased by around 80 basis points to 5.28% and the Australian 10-year yield to 5.35%, reflecting not only firm growth and inflation but also growing concern over fiscal positions, particularly in France and Spain. For markets, the relief that characterised the June quarter gave way to a more cautious tone as resilient activity, supported by continued investment in AI, was increasingly weighed against higher energy prices, persistent inflation and a rising cost of capital.

Portfolio Commentary

The portfolio delivered solid returns for the quarter, both in absolute terms and relative to the benchmark. Performance benefited from strong results across portfolio companies, including the hyperscalers, where robust revenue growth driven by customer AI adoption provided further evidence that returns on their capital expenditure are likely to prove satisfactory. The portfolio also benefited from avoiding lower-quality data centre supply chain companies, which softened somewhat in July as some of the unsustainable speculation that had driven these stocks over the first half of the year moderated.

The largest contributors to the portfolio's performance over the quarter were Microsoft, SAP, and Meta Platforms. Microsoft reported a strong June quarter in which it delivered accelerated growth in both its Azure cloud and its M365 commercial businesses and guided for further acceleration next quarter. Overall, the result was supportive of the hyperscale growth thesis and its status as an AI and cloud beneficiary. SAP reported a Q2 result that demonstrated cloud growth resilience despite concerns about software growth headwinds and AI disruption. We view SAP as among the most AI-resilient software vendors and highest-quality businesses in the enterprise software sector. Meta performed strongly, supported by the release of Muse personal agents, Muse for Small Business, and Meta Enterprise. Muse personal agents in particular saw some early traction. The releases highlighted the optionality in Meta, given its significant AI investments and capabilities, as well as its huge user base to which it can distribute products. Meta also reached a settlement with many US states.

Key detractors included Nestlé, Adidas and Universal Music Group (UMG). Nestlé's 2Q revenue growth fell modestly below market expectations, affected by lower consumer confidence, a short-term impact from retailer destocking and some volume elasticity in coffee after recent price increases. Near-term profitability is also expected to be affected by higher transportation and energy costs. We expect these issues to be temporary and believe the company is executing well in a challenging environment. Higher interest rates have also weighed on valuations across consumer staples. Our view on business quality, economic defensiveness and the long-term growth outlook for Nestlé's key categories is unchanged. Following a successful World Cup campaign, Adidas provided a FY26 guidance update that disappointed the market, including a conservative outlook for sales through North American and European wholesale partners, where channel inventory is elevated and promotional intensity has increased. Similarly disappointing updates from other sportswear brands and retail partners have further weighed on sector sentiment. Adidas continues to execute well on product, marketing and direct-to-consumer sales, and we are supportive of management's disciplined growth strategy in a more challenging near-term environment. Our view on business quality and the long-term sportswear category growth outlook is unchanged and was reinforced during our attendance at the September investor event in Germany. UMG underperformed after a disappointing Q2 result, including higher-than-expected cost growth (including investment in AI and legal costs to counter AI-

generated music) which affected margins and inherent quarter-to-quarter revenue volatility, which offset an expected acceleration from new agreements with music streaming platforms. UMG's execution and greater-than-expected volatility in results have been disappointing, even if largely short term in nature.

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

Outlook and Portfolio Manager View

Our previous view that we are in a dangerous period for markets is unchanged. Over the past year, the market's view of AI has shifted from a reasonable assessment of its opportunities and risks to something closer to a speculative bubble, driven by price momentum, fear of missing out, and the retail and passive flows that strong returns attract. A narrow group of semiconductor and data centre names continue to account for much of the market's gains over the past year, priced as though today's record profitability will be sustained and continue to grow. In September the market was held up almost entirely by these names, which rose while most other sectors fell. The fundamentals outside the theme have been largely ignored, even as they have deteriorated: interest rates have risen and central banks have begun to tighten in earnest, concerns over government debt and fiscal sustainability have returned, inflation remains elevated, and the signs of consumer weakness are becoming more evident. Equity markets have set this aside; bond markets, with yields at multi-year highs, have not.

We do not try to predict when such periods might end. They can last longer than valuations alone would suggest, and we make no attempt to time them. But the outcome for investors who buy into expensive, late-cycle leadership is well established. We would rather miss the final stage of a rally we cannot justify on fundamentals than risk a permanent loss of capital when sentiment turns. That discipline has not changed: we hold high-quality businesses with durable earnings growth, and we will not overpay for them.

The narrowness of the market has, however, left many good businesses behind. Quality franchises outside the favoured names are now trading at valuations that imply some of the most attractive prospective returns we have seen in over a decade. This is where we are focused. Against a backdrop of resilient but slowing activity, elevated inflation and a higher cost of capital, we are using the market's preoccupation with a single theme to add selectively to businesses we expect to compound earnings, cash flows and value over time and whose worth is unchanged whether or not they currently hold the market's attention.

Insight: Luxury on Sale: Opportunity or Value

(Hannah Dickinson – Investment Analyst)

Thierry Hermès opened his Paris harness workshop in 1837, Louis Vuitton founded his maison in 1854, and Gabrielle Chanel opened her first boutique in 1910. We regard these houses as among the most durable consumer franchises in the world. This year, however, has tested investors' patience. Between May and August, Kering's Gucci brand cut prices on a range of its core handbags in France by 20% to 30%, a move almost unheard of among leading luxury houses. LVMH shares are down 41% year to date, Hermès 40% and Kering 32%, unwinding the gains of the Covid-era boom. The sell-off reflects an already-sluggish demand backdrop, compounded by worsening macro conditions in China and the conflict between the US and Iran, which has disrupted travel and weighed on consumer confidence around the world.

The question now is whether current sector valuations represent an attractive entry point for long-term quality investors or whether deeper structural issues justify a permanent de-rating.

How did this fall from grace transpire? In our view, the drivers are mostly cyclical or executional. Steep price increases post-pandemic combined with higher inflation and interest rates have left many aspirational buyers priced out of luxury. Revenue from clients spending less than €20,000 a year on luxury has declined since 2022, leaving the highest-spending cohort as the sole driver of growth. At the same time, the sector has lagged on innovation to drive engagement and recruit new consumers. Brands now face the challenge of restoring affordability and perceived value for money without diluting brand equity.

China is the exception: its slowdown has structural as well as cyclical elements. Chinese consumers were once the key growth engine of the global luxury industry. Mainland China rose from 6% of global luxury sales in 2010 to a peak of 21% in 2021. Including purchases made abroad, Chinese consumers still account for around 20% to nearly 40% of sales at some of the major European luxury groups, although Chinese luxury consumption has fallen considerably since its 2021 peak. Falling property prices, tighter taxation of residents' offshore assets, depressed consumer confidence and a structurally declining 25-to-39 age cohort point to a more mature market, where growth is unlikely to return to the double-digit rates of the past.

Outside China, many issues are within management's control. Pricing and perceived value can be recalibrated, and creativity renewed. That renewal is underway. Over the past year or so, more than a dozen brands have changed creative directors, and early evidence is encouraging. Chanel has seen a swift and tangible response to Matthieu Blazy, while LVMH reported that Dior returned to growth in the second quarter, a year into Jonathan Anderson's tenure. Not every reset will succeed, but the industry is again investing in desirability rather than relying on price.

The underlying economics remain exceptional, with high gross margins, strong returns on invested capital and robust free cash flow. Competitive advantages of scale are intact. Luxury is a fixed-cost industry, so scale in communication, distribution, innovation and talent confers a material advantage, and larger brands can spend significantly more on marketing in absolute terms while still earning higher margins. That spending power funds flagship stores, VIP events and immersive experiences, such as the Dior Spa and Louis Vuitton's ship in Shanghai, that smaller competitors struggle to match.

China matters, but it is one market. American consumers, supported by the wealth effect from strong financial markets, have overtaken Chinese consumers as the largest cohort globally, and shoppers from other Asian and emerging markets now collectively spend more on luxury than Chinese consumers do.

Long-term demand is also supported by structural tailwinds. Wealth is becoming more concentrated: the top 10% of US households hold about 88% of US equity wealth, and clients spending more than €20,000 a year have driven all of the sector's growth over the past four years. Luxury goods increasingly act as markers of personal achievement and economic independence for women, often linked to career milestones. The transfer of wealth from Baby Boomers to millennials, a generation with higher brand awareness and per capita luxury consumption, should also be supportive over the longer term.

While remaining conscious of the risks, including a prolonged downturn in China, further pressure on aspirational demand and the possibility that some creative resets disappoint, we believe the sector's current difficulties are largely cyclical and, in part, self-correcting. The best luxury franchises combine pricing power, scale, global reach and outstanding cash generation, with growth runways measured in decades rather than years. We favour the largest houses, whose size and brand strength leave them best placed to gain share through the cycle. For long-term investors focused on quality and duration, we believe the sector remains an attractive place to compound capital, and see the recent de-rating as more of an opportunity than a warning.

IMPORTANT INFORMATION

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A copy of the PDS and TMD relating to the relevant Magellan financial product may be obtained by calling +61 2 9235 4888 or by visiting www.magellaninvestmentpartners.com.

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