

# Magellan High Conviction Fund

## Class A and Class B Units

ARSN 164 285 947

APIR MGE0005AU

APIR MGE9885AU

## Product Disclosure Statement | 1 July 2022

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### Contents

1.	About Magellan Asset Management Limited	2
2.	How Magellan High Conviction Fund works	2
3.	Benefits of investing in Magellan High Conviction Fund	3
4.	Risks of managed investment schemes	3
5.	How we invest your money	5
6.	Fees and costs	5
7.	How managed investment schemes are taxed	8
8.	How to apply	8
9.	Other information	8

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This Product Disclosure Statement (“PDS”) provides a summary of significant information relating to Magellan High Conviction Fund (“Fund”). This PDS includes references to important additional information contained in the Additional Information Booklet, which forms part of this PDS. **You should consider both the information in this PDS and the Additional Information Booklet before making a decision to invest in the Fund.** A reference to “this PDS” or “the PDS” includes, unless the context requires otherwise, a reference to both the PDS and the Additional Information Booklet.

The Additional Information Booklet is available on our website or you can call us to request a copy free of charge. The information contained in the Additional Information Booklet may change between the day you receive this PDS and the day you sign the Application form. You must ensure that you have read the Additional Information Booklet, current at the date of your application.

The information in this PDS is general information only and does not take into account your personal financial situation or needs. Before making an investment decision based on this PDS, you should consult a licensed financial adviser to obtain financial advice that is tailored to suit your personal circumstances.

The information in this PDS is subject to change from time-to-time. Information that is not materially adverse information can be updated by us. Updated information can be obtained by going to our website, by calling us, by contacting your licensed financial adviser or by contacting your master trust or wrap account operator (for indirect investors). You may request a paper copy of any updated information at any time, free of charge.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Fund in any jurisdiction outside Australia and New Zealand. The distribution of this PDS outside Australia and New Zealand may be restricted by law and persons who come into possession of this PDS outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

**Target Market Determination:** The Target Market Determination for the Fund can be found at [www.magellangroup.com.au](http://www.magellangroup.com.au) and includes a description of the class of investors that the Fund is likely to be appropriate for.

## 1. About Magellan Asset Management Limited

Magellan Asset Management Limited (the “**Responsible Entity**”, “**Investment Manager**”, “**Magellan**”, “**we**”, “**our**” or “**us**”) is the responsible entity and investment manager for Magellan High Conviction Fund (“Fund”). As responsible entity, we are responsible for overseeing the operations of the Fund. As the investment manager, we are responsible for selecting and managing the assets of the Fund.

Magellan is a wholly owned subsidiary of Magellan Financial Group Limited, which is listed on the Australian Securities Exchange.

## 2. How Magellan High Conviction Fund works

When you invest your money in the Fund, your money is pooled together with other investors’ money. Magellan uses this pool to buy investments and manage them on behalf of all investors in the Fund in accordance with the Fund’s investment strategy. By investing in the Fund you have access to the investment expertise and insights of the investment team.

### Units and unit prices

The total value of the net assets in the Fund attributable to a unit class is divided by the number of units on issue in that class to calculate a unit price for each business day in New South Wales (“**Business Day**”). The unit price will change daily as the market value of assets in the Fund rises or falls. When you make an investment in the Fund, we will allocate units to you based on the entry unit price for the Business Day on which we receive your application and cleared funds. When you withdraw some or all of your investment, we will redeem your units based on the exit unit price for the Business Day on which we receive your withdrawal request.

### Investing in the Fund

You can make an investment in the Fund by sending us a correctly completed Application Form together with the required supporting identification documentation. The minimum initial investment for both Class A Units and Class B Units is \$10,000.

Additional investments can be made into an existing account at any time. The minimum amount for an additional investment made using BPAY® is \$500 for both Class A Units and Class B Units. The minimum amount for an additional investment made using EFT or cheque is \$5,000 for both Class A Units and Class B Units.

We may accept initial and additional investment applications for smaller amounts at our discretion. The processing of applications for lower amounts may be delayed while approval is sought for the lower application amount. We may also reject applications at our discretion.

If you invest into the Fund indirectly through an Investor Directed Portfolio Service (“**IDPS**”), IDPS-like scheme or a nominee or custody service (collectively referred to as “**master trusts**” or “**wrap accounts**”), the minimum investment amount will be determined by the operator of the master trust or wrap account and may be higher or lower than if you invest in the Fund directly.

### Withdrawing your investment in the Fund

You can withdraw some or all of your investment at any time, as long as the withdrawal request is for at least \$5,000. To do this, please send to us a completed Withdrawal Form or written notice of withdrawal. You can request a specified dollar amount to be withdrawn, a specified number of units to be withdrawn, or a full redemption of your investment in the Fund. If your withdrawal request results in your remaining investment in the Fund falling below \$5,000, we may require you to withdraw your entire balance.

You can usually expect to receive payment into your nominated bank account within 7 Business Days after our receipt and acceptance of your withdrawal request. However, during July and January of each year, or at any other time when the Fund is processing a distribution, payment of your withdrawal may be delayed by up to 15 Business Days. There may be other circumstances, such as a freeze on withdrawals or where the Fund is illiquid (as defined in the Corporations Act 2001), where your ability to withdraw from the Fund is restricted and you may have to wait a period of time before you can withdraw some or all of your investment.

### How we process transactions

We will process your application and issue units to you when we have received:

- your completed Application Form or Additional Application Form (not required for additional investments made by BPAY®), including any required identification documentation; and
- your cleared application monies into the Fund’s application bank account.

If we receive your Application Form by 2.00pm (Sydney time) on a Business Day and your cleared funds by close of business on the same Business Day, you will receive the entry unit price applicable to that Business Day. Otherwise we will issue units to you using the entry unit price applicable to the Business Day on which we receive your completed documentation and cleared monies, subject to the applicable cut-off times.

For additional investments made by BPAY®, we will not issue units until we receive the money from your financial institution. Please note that although your BPAY® transactions may be processed from your bank account immediately, your funds and payment instructions may take some time to be received from your financial institution. You will need to quote the Fund’s Biller Code (available in section 2 of the Additional Information Booklet) and your unique reference number (refer to your last transaction confirmation or contact the Unit Registry).

If you invest by EFT, you must quote your account name (or part thereof) and/or your current investor number as a reference to the payment. If you make an additional investment by EFT, please also ensure that you notify the Unit Registry of your EFT payment using the Additional Application Form or by sending an email to the Unit Registry. Otherwise, there may be a delay in issuing you with units.

If you invest by cheque or request us to process a direct debit (available for initial applications only), it may take up to two Business Days (in the case of a cheque) and three Business Days (in the case of a direct debit) for your application monies to clear from the date we bank the cheque or issue a direct debit request to your bank. If we receive your cheque or direct debit request before 2.00pm (Sydney time) on a Business Day we will action these on the day we receive them. If they are received after 2.00pm (Sydney time) on a Business Day we will action them the following Business Day. We will not issue units until your application monies have cleared.

If your cheque, direct debit or EFT is dishonoured by your financial institution, we will not process your application. We will not represent a dishonoured payment unless you first contact us to discuss your application. We may deduct any fees incurred as a result of the dishonoured payment from your application amount before we issue you with units.

If we receive your withdrawal request before 2.00pm (Sydney time) on a Business Day, we will calculate the amount of your withdrawal using the exit unit price applicable to that Business Day. If we receive your request after 2.00pm we will use the following Business Day's exit unit price.

You are able to switch all or part of your investment to another fund managed by Magellan. A switch is a withdrawal from one Magellan fund and an application into another. If we receive your switch instruction before 2.00pm (Sydney time) on a Business Day, we will usually process the switch using the entry and exit prices applicable to that Business Day. If we receive your request after 2.00pm, we will usually process it using the following Business Day's unit prices. In circumstances where the calculation of unit prices is delayed for any reason, including while we are determining and processing distributions, we have the discretion to defer the processing of switches until unit pricing has resumed.

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### Distributions

The Responsible Entity intends to target a cash distribution yield of 3% per annum of the average of the month-end net asset value per unit over the two year rolling period ending on the last Business Day of the prior distribution period ("**Target Cash Distribution**"). The Target Cash Distribution per unit will be paid semi-annually (for the periods ending 30 June and 31 December of each year).

The Fund may make distributions more or less frequently at the discretion of the Responsible Entity. The distribution may comprise an amount attributed to you from income (such as dividends received from shares and interest) less expenses incurred by the Fund (such as management and performance fees), plus net capital gains made on the sale of shares or other investments held. In some circumstances, the Fund may distribute a payment out of the capital invested in addition to a distribution of net income or net capital gains, or where the Fund has not generated any net income or net capital gains during the income year. The distribution investors may receive will be based on the number of units they hold at the nominated record date. It is not pro-rated according to the time that investors have held their units.

### Indirect investors

We authorise the use of this PDS as disclosure to persons who wish to access the Fund indirectly through an IDPS, IDPS-like scheme or a nominee or custody service (collectively referred to as "**master trusts**" or "**wrap accounts**").



You should read the additional information about "Units and Unit Prices", "Completing the Application Form", "Additional investments", "Payment of your application monies", "Withdrawals", "Switches", "Restrictions on withdrawals and switches", "Distributions" and "Indirect investors" in section 2 of the Additional Information Booklet before making a decision to invest in the Fund. The material relating to these matters may change between the time you read this PDS and the day when you acquire the product.

## 3. Benefits of investing in Magellan High Conviction Fund

### Significant features

The primary objectives of the Fund are to achieve attractive risk-adjusted returns over the medium to long-term. The Fund offers investors an opportunity to invest in a high conviction global equity fund. We aim 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. We endeavour to acquire these companies at discounts to their assessed intrinsic value. The Fund's portfolio will comprise 10 to 20 investments with the portfolio weighted towards our highest conviction ideas.

The Fund may, from time to time, hedge some or all of the capital component of the foreign currency exposure of the Fund arising from investments in overseas markets back to Australian Dollars.

### Significant benefits

Investing in the Fund offers investors a range of benefits, including:

- access to our investment expertise and a professionally managed global equity portfolio;
- access to a concentrated portfolio of attractive investment opportunities in offshore markets; and
- participation in any capital appreciation and income distributions of the Fund.

## 4. Risks of managed investment schemes

All investments carry risk. The likely investment return and the risk of losing money is different for each investment strategy, as different strategies carry different levels of risk depending on the underlying mix of assets that make up each fund. Those assets with potentially the highest long term return (such as equities) may also have the highest risk of losing money in the shorter term.

Risks can be managed but not completely eliminated. It is important that you understand that:

- the value of your investment will rise and fall;
- investment returns will vary and future returns may differ from past returns;
- returns are not guaranteed and there is a risk that you may lose some money on any investment you make; and
- laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on various factors and may include your age, investment timeframe, where other parts of your wealth are invested and your overall tolerance to risk. You may wish to consult a licensed financial adviser to better understand the risks involved in investing in this Fund.

The significant risks for the Fund are:

**Company specific risk:** Investments by the Fund in a company's securities will be subject to many of the risks to which that particular company is itself exposed. These risks may impact the value of the securities of that company. These risks include such factors as changes in management, actions of competitors and regulators, changes in technology and market trends.

**Concentration risk:** As the Fund will hold a concentrated portfolio of 10 to 20 investments, returns of the Fund may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in the Fund's unit price, and increased risk of poor performance.

**Conflicts of interest risk:** Either we or our various service providers may from time to time act as issuer, investment manager, custodian, unit registry, broker, administrator, distributor or dealer to other parties or funds that have similar objectives to those of the Fund. It is possible that either we, or our service providers may have potential conflicts of interest with the Fund. Such conflicts of interest include but are not limited to: management of multiple accounts with varying fee arrangements, trade allocation, proxy voting and staff personal trading. The Investment Manager may invest in, directly or indirectly, or manage or advise other funds which invest in assets which may also be purchased by the Fund. Neither the Investment Manager nor any of its affiliates nor any person connected with it is under any obligation to offer investment opportunities to the Fund.

We maintain a Conflicts of Interest Policy to ensure that we manage our obligations to the Fund such that all conflicts (if any) are resolved fairly.

**Counterparty risk:** There is a risk that the Fund may incur a loss arising from the failure of another party to a contract (the counterparty) to meet its obligations. Counterparty risk arises primarily from investments in cash, derivatives and currency transactions. Substantial losses can be incurred if a counterparty fails to deliver on its contractual obligations.

**Currency risk:** As the Fund's investments in international assets will typically be unhedged, a rise in the Australian dollar relative to other currencies will negatively impact investment values and returns. Currency markets can be extremely volatile and are subject to a range of unpredictable forces. From time to time, the Fund may manage its foreign currency exposures to reduce currency risk of the Fund. Where any part of the Fund's currency exposure is hedged, the Fund's investment returns will not benefit where the Australian dollar has declined relative to other currencies. There is also a risk that the Fund's currency management activities might not be effective and may lose the Fund money.

**Derivatives risk:** The value of a derivative is derived from the value of an underlying asset and can be highly volatile. Changes in the value of derivatives may occur due to a range of factors that include rises or falls in the value of the derivative in line with movements in the value of the underlying asset, potential liquidity of the derivative and counterparty credit risk.

**Distribution policy risk:** Under the distribution policy for the Fund, there may be circumstances where the distributions received by investors in cash may be insufficient to cover an investor's tax payable on the income of the Fund attributable to the investor.

**Emerging market risk:** The Fund invests in the securities of issuers domiciled in foreign jurisdictions, including some countries that may be classified as emerging market countries. As a result, the Fund may be subject to adverse governmental, economic, legal and securities market risks associated with individual foreign markets. Specific risks may include unexpected changes in government or regulatory policy which could reduce trading liquidity and/or increase price volatility of securities, fewer securities holder rights and less protection of property rights. Trading, settlement and custody practices may differ from developed markets and this may result in lower liquidity and counterparty credit risk.

The Fund may invest in companies headquartered in China, including Hong Kong. Risks associated with investments in China include risks related to governmental policies and risks to the economy from trade or political disputes with China's trading partners.

**Fund risk:** Fund risk refers to specific risks associated with the Fund, such as termination and changes to fees and expenses. The performance of the Fund or the security of an investor's capital is not guaranteed. There is no guarantee that the investment strategy of the Fund will be managed successfully or that the Fund will meet its investment objectives. Failure to do so could negatively impact the performance of the Fund. An investment in the Fund is governed by the terms of the Fund's constitution and this PDS, each as amended from time to time. Magellan may elect, in accordance with the Fund's constitution and the Corporations Act 2001, to terminate the Fund for any reason.

**Liquidity of investments risk:** Whilst the Fund is exposed to listed securities which are generally considered to be liquid investments, under extreme market conditions, there is a risk that such investments cannot be readily converted into cash or at an appropriate price. In such circumstances, the Fund may be unable to liquidate sufficient assets to meet its obligations, including payment of withdrawals, within required timeframes or it may be required to sell assets at a substantial loss in order to do so.

**Market risk:** There is a risk that the market price of the Fund's assets will fluctuate. This may be as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events, pandemic outbreaks, environmental and technological issues.

**Operational risk:** Operational risk includes those risks which arise from carrying on a funds management business. The operation of the Fund may require us, the custodian, the unit registry, the administrator and other service providers to implement sophisticated systems and procedures. Some of these systems and procedures are specific to the operation of the Fund. Inadequacies with these systems and procedures or the people operating them could lead to a problem with the Fund's operation and result in a decrease in the value of units.

**Performance risk:** There is a risk that the Fund may not achieve its investment objectives.

**Personnel risk:** The skill and performance of the Investment Manager can have a significant impact (both directly and indirectly) on the investment returns of the Fund. Changes in key personnel and resources of the Investment Manager may also have a material impact on investment returns of the Fund.

**Pooled investment scheme risk:** The market prices at which the Fund is able to invest inflows, or sell assets to fulfil outflows, may differ from the prices used to calculate entry and exit unit prices. Investors in the Fund may therefore be impacted by other investors entering and exiting the Fund. The impact will depend on the size of inflows or outflows relative to the Fund, and on the price volatility of the securities in which the Fund invests. Inflows and outflows may also affect the taxable income attributed to an investor during a financial year.

**Regulatory risk:** There is a risk that a change in laws and regulations governing a security, sector or financial market could have an adverse impact on the Fund or on the Fund's investments. A change in laws or regulations can increase the costs of operating a business and/or change the competitive landscape.

## 5. How we invest your money

An investment in the Fund may suit you if you are seeking a medium to long-term investment exposure to international equities.

Before deciding whether to invest in the Fund, you should consider:

- the likely investment return of the Fund;
- the risk involved in investing in the Fund; and
- your investment timeframe.

Magellan High Conviction Fund							
<b>Investment return objective</b>	The primary objectives of the Fund are to achieve attractive risk-adjusted returns over the medium to long-term.						
<b>Minimum suggested time frame for holding investment</b>	At least 7 to 10 years.						
<b>Asset classes and asset allocation ranges</b>	<p>The Fund's assets are typically invested within the following asset allocation ranges:</p> <table border="1"><thead><tr><th>Asset Class</th><th>Investment Range</th></tr></thead><tbody><tr><td>Securities</td><td>50% – 100%</td></tr><tr><td>Cash &amp; cash equivalents</td><td>0% – 50%</td></tr></tbody></table>	Asset Class	Investment Range	Securities	50% – 100%	Cash & cash equivalents	0% – 50%
Asset Class	Investment Range						
Securities	50% – 100%						
Cash & cash equivalents	0% – 50%						
<b>Investments held</b>	The Fund primarily invests in the securities of companies listed on stock exchanges around the world, but will also have some exposure to cash & cash equivalents. The Fund can use foreign exchange contracts to facilitate settlement of stock purchases and to mitigate currency risk on specific investments within the portfolio. As part of the investment objectives of the Fund, we may from time to time hedge some or all of the capital component of the foreign currency exposure of the Fund arising from investments in overseas markets back to Australian Dollars. However, there is no guarantee that any or all of the Fund will be hedged at any point in time.						
<b>Risk level<sup>1</sup></b>	Medium to high.						
<b>Fund performance</b>	For up-to-date information on the performance of the Fund, including daily unit prices and performance history, please visit <a href="http://www.magellangroup.com.au">www.magellangroup.com.au</a> .						

<sup>1</sup> The risk level is not a complete assessment of all forms of investment risks. For instance, it does not detail what the size of a negative return could be or the potential for a positive return to be less than the return an investor may expect to meet their objectives.



You should read the additional information about "Permitted investments", "Borrowing restrictions", "Changes to a Fund" and "Labour standards and environmental, social or ethical considerations" in section 5 of the Additional Information Booklet before making a decision to invest in the Fund. The material relating to these matters may change between the time you read this PDS and the day when you acquire the product.

## 6. Fees and costs

### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower fees. Ask the Fund or your financial adviser.

### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission ("ASIC")** Moneysmart website ([www.moneySMART.gov.au](http://www.moneySMART.gov.au)) has a managed funds calculator to help you check out different fee options.

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your investment, from the returns on your investment or from the Fund's assets as a whole. You have two different fee payment options: Class A and Class B. Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

## Fees and costs summary

Magellan High Conviction Fund			
Type of fee or cost	Amount		How and when paid
	Class A Units	Class B Units	
<b>Ongoing annual fees and costs</b>			
<b>Management fees and costs<sup>1</sup></b> The fees and costs for managing your investment	1.50% <sup>2</sup> per annum	0.78% <sup>2</sup> per annum	Management fees for a class are calculated monthly based on the NAV (before fees) of that class at the end of each month. Estimated fees for a class are reflected in the daily unit price for that class and are payable monthly in arrears from the assets of the Fund.
<b>Performance fees<sup>1</sup></b> Amounts deducted from your investment in relation to the performance of the product	Estimated 0.93% <sup>3</sup> per annum	Estimated 1.07% <sup>3</sup> per annum	For Class A Units, performance fees are 10% of the excess return of Class A Units above the "Absolute Return" hurdle (10% per annum, pro-rated for the Calculation Period) over each 6-monthly period ending 31 December and 30 June (each a "Calculation Period").  For Class B Units, performance fees are 20% of the excess return of Class B Units above the "Absolute Return" hurdle (10% per annum pro-rated for the Calculation Period) over each 6 monthly Calculation Period ending 31 December and 30 June.  Performance fees are payable at the end of each Calculation Period from the assets of the Fund.  The Fund is subject to a "High Water Mark" and "Performance Fee Cap", as described in section 6 of the Additional Information Booklet.
<b>Transaction costs</b> The costs incurred by the scheme when buying or selling assets	Nil	Nil	Transaction costs such as brokerage and transactional taxes are incurred by the Fund when the Fund acquires and disposes of securities and are paid out of the assets of the Fund as and when incurred. This transaction costs amount is net of any amounts recovered by the buy-sell spread (see 'Buy-sell spread' below).
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the product)</b>			
<b>Establishment fee</b> The fee to open your investment	Nil	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment	Nil	Nil	Not applicable
<b>Buy-sell spread</b> An amount deducted from your investment representing costs incurred in transactions by the scheme	0.07% buy spread <sup>4</sup> 0.07% sell spread <sup>4</sup>	0.07% buy spread <sup>4</sup> 0.07% sell spread <sup>4</sup>	The buy-sell spread is an allowance to cover the transaction costs that arise from investments and withdrawals from the Fund. It represents an additional cost to investors applying and withdrawing directly from the Fund. The entry and exit unit prices for the Fund include an allowance for the buy-sell spread.
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Nil	Not applicable
<b>Exit fee</b> The fee to close your investment	Nil	Nil	Not applicable
<b>Switching fee</b> The fee for changing investment options	Nil	Nil	Not applicable

- These fees may be individually negotiated if you are a wholesale client (as defined in the Corporations Act 2001). For further information refer to "Differential fees" in the "Additional Explanation of Fees and Costs" section of the Additional Information Booklet.
  - Inclusive of the net effect of Goods and Services Tax ("GST") (i.e. inclusive of GST, less any reduced input tax credits). As the Fund predominantly invests in international securities, the GST impact on fees and costs will typically be negligible. To the extent the GST impact changes (for example, if the Fund's exposure to Australian securities increases), the actual fees and costs may vary from the rates stated above.
  - For Class A Units, the estimated performance fee has been calculated as the simple average of the actual performance fees for the previous 5 financial years (up to and including 30 June 2021). For Class B Units, the inception date was 15 November 2017 and therefore the estimated performance fee has been calculated as the simple average of the actual performance fees of Class B Units since inception (up to and including 30 June 2021). The estimated performance fees are inclusive of the net effect of GST (i.e. inclusive of GST, less any reduced input tax credits). Past performance is not necessarily indicative of future performance. The actual performance fee payable (if any) will depend on the performance of each class of units over the relevant period.
  - For further information refer to "Buy and sell spreads" in the "Additional Explanation of Fees and Costs" section of the Additional Information Booklet.
- Warning:** Your licensed financial adviser may also charge you fees for the services they provide. These should be set out in the Statement of Advice given to you by your adviser.

### Example of annual fees and costs

These tables give an example of how the ongoing annual fees and costs for this product can affect your investment over a 1 year period. You should use these tables to compare this product with other products offered by managed investment schemes.

#### Example 1 – Class A Units

Example <sup>1</sup> – Magellan High Conviction Fund – Class A Units		Balance of \$50,000 with a contribution of \$5,000 during year <sup>2</sup>
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management fees and costs	1.50% p.a.	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$750 each year.
PLUS Performance fees	0.93% p.a.	<b>And</b> , you will be charged or have deducted from your investment \$465 in performance fees each year.
PLUS Transaction costs	Nil	<b>And</b> , you will be charged or have deducted from your investment \$0 in transaction costs.
EQUALS Cost of the Fund	2.43% <sup>3</sup> p.a.	If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of: <b>\$1,215<sup>4</sup></b> . <b>What it costs you will depend on the fund you choose and the fees you negotiate.</b>

#### Example 2 – Class B Units

Example <sup>1</sup> – Magellan High Conviction Fund – Class B Units		Balance of \$50,000 with a contribution of \$5,000 during year <sup>2</sup>
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management fees and costs	0.78% p.a.	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$390 each year.
PLUS Performance fees	1.07% p.a.	<b>And</b> , you will be charged or have deducted from your investment \$535 in performance fees each year.
PLUS Transaction costs	Nil	<b>And</b> , you will be charged or have deducted from your investment \$0 in transaction costs.
EQUALS Cost of the Fund	1.85% <sup>3</sup> p.a.	If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of: <b>\$925<sup>4</sup></b> . <b>What it costs you will depend on the fund you choose and the fees you negotiate.</b>

1 This is an example only and does not take into account any movements in the value of an investor's units that may occur over the course of the year or any abnormal costs.

2 This example assumes the \$5,000 contribution occurs at the end of the first year. Fees and costs are calculated using the \$50,000 balance only.

3 Fees and costs are inclusive of the estimated net effect of GST (i.e. inclusive of GST, less any reduced input tax credits). Please see the "Additional information about fees and costs" section below for more details.

4 Please note that this example does not capture all the fees and costs that may apply to you, such as the buy-sell spread. For further information refer to "Buy and sell spreads" in the "Additional Explanation of Fees and Costs" section of the Additional Information Booklet.

### Additional information about fees and costs

#### Management fees and costs

The Fund pays a management fee of 1.50% per annum of the Net Asset Value (before fees) ("**NAV**") of Class A Units in the Fund and a management fee of 0.78% per annum of the NAV of Class B Units in the Fund to Magellan for managing the assets of the Fund and overseeing the operations of the Fund. The management fees help cover all ordinary fees, costs, charges, expenses and outgoings that are incurred in connection with the Fund (such as administration and accounting costs, registry fees, audit and tax fees, and investor reporting expenses). Management fees for a class are calculated monthly based on the NAV of that class at the end of each month.

Estimated fees for a class are reflected in the daily unit prices for that class and are payable at the end of each month.

#### Performance fees

In addition to the management fees, Magellan will also receive a performance fee of 10% of the excess return of Class A Units in the Fund and 20% of the excess return of Class B Units in the Fund above the Absolute Return performance hurdle (10% per annum, pro-rated for the calculation period), calculated in respect of each calculation period ending 31 December and 30 June in each year. Performance fees are paid subject to the "High Water Mark" being met for the relevant calculation period. Estimated performance fees for a class are reflected in the daily unit price for that class and are payable at the end of each calculation period.

#### Changes in fees

Fees may increase or decrease for a number of reasons including changes in the competitive, industry and regulatory environments or simply from changes in costs. We can change fees without your consent, but will provide you with at least 30 days written notice of any fee increase.



You should read the important information about fees and costs before making a decision to invest in the Fund. Go to the additional information titled "Additional explanation of fees and costs", "Management fees and costs", "Performance fees", "Transaction Costs", "Buy and sell spreads", "Fees for indirect investors", "Payments to platforms" and "Financial adviser fees" in section 6 of the Additional Information Booklet. The material relating to these matters may change between the time you read this PDS and the day when you acquire the product.

## 7. How managed investment schemes are taxed

**Investing in the Fund is likely to have tax consequences. Before investing in the Fund you are strongly recommended to seek your own professional tax advice about the applicable Australian tax consequences and, if appropriate, foreign tax consequences that may apply to you based on your particular circumstances.**

The Fund generally attributes its net income to investors each financial year so that it is not subject to tax. The Fund does not pay the tax liability on behalf of investors. As an investor, you will be assessed for tax on the net income and net capital gains attributed to you.

The attributed amounts may or may not be the same as the distribution/s you received during the year.

We will send you a tax statement after the end of each financial year that will provide you with details of the amounts attributed to you from the Fund to assist you in the preparation of your tax return.



You should read the additional information about "How managed investment schemes are taxed" in section 7 of the Additional Information Booklet before making a decision to invest in the Fund. They may change between the time you read this PDS and the day when you acquire the product.

## 8. How to apply

### Steps

Before completing the Application Form please ensure you have read this PDS together with the Additional Information Booklet available from [www.magellangroup.com.au](http://www.magellangroup.com.au).

If you already hold an investment in another Magellan Fund, you do not need to complete the Application Form or provide further copies of supporting identification documents. You can instead complete the Additional Application Form, ensuring that you include your current investor number.

- 1) Complete all relevant sections of the Application Form, available from [www.magellangroup.com.au](http://www.magellangroup.com.au). If you have any questions regarding the completion of the Application Form speak to your licensed financial adviser or call our Unit Registry on 1300 127 780 (or +61 2 8259 8566) or 0800 787 621 (NZ). Payment details and methods are described on the Application Form.
- 2) Mail your completed Application Form together with supporting identification documents to our Unit Registry:  
Mainstream Fund Services – Unit Registry  
GPO Box 143, Sydney NSW 2001

### Cooling-off period

If you are a retail investor, a 14-day "cooling-off period" may apply to your initial investment in the Fund in certain circumstances. If, during the 14-day cooling-off period, you decide that the investment does not meet your needs, then you should immediately notify us. If you exercise your cooling-off rights we will return your money to you. However, the amount you receive will reflect any market movement up or down which means there may be taxation implications for you. We will also deduct any tax or duty incurred and a reasonable amount for transaction and administration costs. As a result, the amount returned to you may be less than your original investment.

The 14-day cooling-off period starts on the earlier of the date when you receive confirmation of your transaction or the end of the 5th calendar day after the day we issue the units to you. Please note that the cooling-off period will lapse if you transact on your account within the 14 days. Under normal circumstances refunds will be made within 7 Business Days of you notifying us. For more information, please call our Unit Registry on 1300 127 780 (or +61 2 8259 8566) or 0800 787 621 (NZ).

### Complaints Resolution

If you have any concerns or complaints, as a first step please contact our Complaints Officer on +61 2 9235 4888 and we will do our best to resolve your concern quickly and fairly. If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority ("AFCA"). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Website: [www.afca.org.au](http://www.afca.org.au)

Email: [info@afca.org.au](mailto:info@afca.org.au)

Telephone: 1800 931 678

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

## 9. Other information

### Additional disclosure information

The Fund is subject to regular reporting and continuous disclosure obligations. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. You can also call us to obtain copies of the following documents, free of charge:

- The Fund's Annual Financial Report most recently lodged with ASIC;
- Any Half Year Financial Report lodged with ASIC;
- Any continuous disclosure notices we place online at [www.magellangroup.com.au](http://www.magellangroup.com.au) or lodge with ASIC.

### Further reading



You should read the additional information titled "Change of details", "Constitution", "Custodian", "Consents", "Anti-money laundering and counter terrorism financing" and "Privacy policy" in section 9 of the Additional Information Booklet before making a decision to invest in the Fund. The material relating to these matters may change between the time you read this PDS and the day when you acquire the product.

### New Zealand Investors



New Zealand Investors should read the additional information titled "Additional information for New Zealand investors" in section 9 of the Additional Information Booklet before making a decision to invest in the Fund. The material relating to New Zealand Investors may change between the time you read this PDS and the day when you acquire the product.