

Quarterly Stocks in Focus

Magellan Global Fund (ARSN: 126 366 961)

AS AT 30 JUNE 2023

amazon Amazon.com is a cloud-computing and retail giant that generated almost US\$514 billion in revenue in fiscal 2022. Amazon's AWS arm, which generates the majority of group profit, is the leading global hyperscale cloud platform with about 43% market share ex China. The Retail segment, which generates the majority of revenue but <30% of group profit, is a dominant e-commerce platform comprising a commerce marketplace, third-party fulfilment and logistics services, a digital advertising business, and subscription services.

Brands



Apple Apple Inc. is an American multinational technology company headquartered in Cupertino, California. Apple is the world's largest technology company by revenue, generating US\$394.3 billion in 2022 through the sale of consumer hardware and associated services. We view Apple, with its powerful and enduring ecosystem, as a highly advantaged mobile platform and services company where sales of its devices are in essence a 'subscription' payment to access its platform and services.

Brands



ASML ASML is the dominant provider of semiconductor lithography machines that are crucial for the manufacture of integrated circuits, also known as chips. Lithography is the most complex and expensive part of the chip manufacturing process. In the area of advanced lithography known as extreme ultraviolet, ASML commands a monopoly position. The company generated over €21 billion of revenue in 2022 and supplies virtually every chip manufacturer in the world.

Brands



ICE Intercontinental Exchange, which promotes itself as ICE and earned US\$7.3 billion in revenue in fiscal 2022, has grown from a small company facilitating trading in US energy derivatives to one of the world's largest exchange groups. It owns the New York Stock Exchange and leading derivatives exchanges, servicing the energy, agricultural and financial sectors, and totalling 12 global exchanges and six clearing houses. The company provides essential data to fixed income and other financial markets and is providing technology and infrastructure to digitise the US mortgage market.

Brands



INTUIT Intuit is a leading provider of business management and tax preparation software to small businesses and consumers, generating US\$12.7 billion in revenue in fiscal 2022, of which 92% came from the US. Intuit's QuickBooks Online has nearly 6m small business customers that rely on it to run their business while Intuit's TurboTax helps nearly 50m people file their taxes each year. Intuit is well positioned to benefit from a continuation of small business digitalisation and the shift away from full service accountants.

Brands



LOWE'S Lowe's is the second largest home improvement retailer in the U.S. with total sales in fiscal year 2022 of over US\$97 billion. Approximately \$92 billion of revenue was generated from the U.S. where the company now operates 1,700 stores after the sale of its Canadian retail assets. The company generates two thirds of its revenue from DIY home improvement activities and is favourably exposed to structural growth trends in the U.S. housing market. The company also benefits from strong brand equity, backed by excellent customer service levels, attractive market structure and scale.

Brands



Microsoft Microsoft is the world's largest software company, with US\$198 billion of sales in fiscal 2022. As well as being a leading provider of business applications, infrastructure software and PC operating systems, Microsoft has established itself as a global leader in cloud computing outside China. Companies around the world are shifting to the cloud and Microsoft is a beneficiary of this major trend. The company also owns consumer franchises in areas like search and gaming.

Brands



SAP SAP is a leading provider of enterprise application software with over €30 billion of revenue generated in 2022. SAP's software is used to run the businesses of over 400,000 customers around the world, including over 90% of the Forbes Global 2000. The company has expanded into cloud software, which contributes nearly half its total software revenue, and this is expected to rise as customers modernise their digital technology.

Brands



VISA Visa is the largest global payment network – the total volume of payments over Visa's network in 2022 reached US\$11.6 trillion. Across the globe, Visa connects 4.1 billion cardholders across more than 200 countries, at around 80 million merchant locations and over 15,000 financial institutions. Replicating the breadth of Visa's network is extremely challenging, therefore making the businesses of Visa and its three peers resilient to aspiring competitors. Visa benefits from scale advantages.

Brands



Yum! Yum! Brands develops, operates, franchises and licenses more than 55,000 restaurant across 156 countries under the brands of KFC, Taco Bell, Pizza Hut and The Habit Burger Grill. Its brands are global leaders in the chicken, Mexican-style food and pizza categories and generated US\$7 billion in revenue for the company in fiscal 2022. The company has over 26,000 stores in fast-growing emerging countries, including 12,000 outlets in China that are operated under license by Yum China, which was spun off from Yum! Brands in 2016.

Brands



MAGELLAN

Magellan Asset Management Limited ('Magellan') are experts in global investing and invest in portfolios of outstanding global companies with the aim to grow and safeguard the wealth of clients.

Magellan has a highly experienced team of investment professionals that oversees over A\$39 billion* in client assets.

*As at 30 June 2023.

Why global investing?

A key question for many Australian investors is whether or not they should have the vast majority of their equity investments in Australian shares when 97% of the world's listed companies are found overseas. Having limited exposure to global equities could restrict Australian investors' investment opportunities. Investing in international equities can broaden investment opportunities and may bring diversification. Some of the key trends that we expect to be powerful forces in the years ahead include cloud computing, digital platforms, e-commerce, the cashless economy, the reach of global brands, the Chinese consumer, growth in mobile data, healthcare for an ageing population.

At Magellan, we invest in a concentrated portfolio of what we consider as the world's best businesses that are positioned to thrive in the years ahead.

PROTECTING INVESTOR CAPITAL

At Magellan we believe that conservative investors sleep well. All our investments are made in accordance with our investment philosophy, that is, to invest in outstanding businesses that have attractive underlying business economics because they are protected by sustainable long-term competitive advantages, or in Warren Buffett's words, an "economic moat". In our opinion, investing in terrific businesses at appropriate prices is a low-risk investment style and will produce more certain investment returns over time than many other approaches. The core of our investment philosophy is to minimise the risk of a permanent capital loss. We seek to construct our investment portfolio with a meaningful margin of safety and with risk characteristics that we believe should enable the portfolio to have materially less downside in the event of large market corrections.

Access the world's best companies by investing in one of our global funds

Magellan offers a range of highly rated listed and unlisted global equity funds.

Magellan Global Fund Open Class (ASX:MGOC) Closed Class (ASX:MGF)	20-40 companies	Typically 0-20% cash level	Target cash yield of 4% per annum paid semi-annually	1.35% Management fee	Performance fee*	Currency unhedged
Magellan High Conviction Fund	10-20 companies	Typically 0-50% cash level	Target cash yield of 3% per annum paid semi-annually	<u>Management fee:</u> 1.51%, Class A (ASX:MHHT) 0.78%, Class B	Performance fee**	Currency unhedged [^]
Magellan High Conviction Trust (ASX:MHHT)					Performance fee***	
Magellan Sustainable Fund (Cboe:MSUF)	20-50 companies	Typically 0-20% cash level	Target cash yield of 4% per annum paid semi-annually	1.35% Management fee	Performance fee*	Currency unhedged

Do you want currency hedging?

Magellan Global Fund (Hedged)	20-40 companies	Typically 0-20% cash level	Target cash yield of 4% per annum paid semi-annually	1.35% Management fee	Performance fee*	Currency hedged
Magellan Global Equities Fund (Currency Hedged) (Managed Fund) (ASX:MHG)						

*10.0% of excess return over the higher of the Index Relative Hurdle (MSCI World Net Total Return Index (A\$)) and the Absolute Return Hurdle (the yield of a 10-year Australian Government Bonds). Additionally, the Performance Fees are subject to a high water mark.

**Magellan High Conviction Fund Class A: 10% of the excess return of the units of the Fund above the Absolute Return performance hurdle (10% per annum). Magellan High Conviction Fund Class B: 20% of the excess return of Class B Units above the Absolute Return performance hurdle (10% per annum). The performance fee for Class B Units is subject to a cap of 2.22% per annum. Performance fees are subject to a high-water mark.

***Magellan High Conviction Trust: 10% of the excess return of the Trust above the Absolute Return performance hurdle (10% per annum). Additionally, the Performance Fees are subject to a high water mark.

[^]While retaining the flexibility to reduce the impact of foreign currency exposures associated with identified event risks, the Fund / Trust will otherwise adopt an unhedged approach to foreign currency exposures arising from portfolio investments in foreign markets.

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