

Magellan Financial Group Limited

Final Results

For the year ended 30 June 2015

Hamish Douglass | CEO & Chief Investment Officer | 12th August 2015

Magellan Financial Group Overview

[2]

- For the year ended 30 June 2015:
 - Net profit after tax \$174.3 million, 110% increase¹
 - EPS (diluted) of 101.8 cents per share, 108% increase¹
 - Dividends (interim & final) of 74.9 cents per share fully franked, 96% increase¹
- As at 30 June 2015:
 - Strong balance sheet with net assets of \$303.4 million, 47% increase²
 - \$36.4 billion in funds under management, 55% increase²
 - 91 total staff, 32% increase²
 - Fully diluted NTA per share \$1.78 cents (30 June 2014: \$1.24)

¹Percentage change relative the 12 month period ending 30 June 2014.

²Percentage change relative to 30 June 2014.

Magellan Financial Group Overview (cont.)

[3]

\$ million	30 Jun 2015	30 Jun 2014	% change
Management, performance and services fees	254.3	138.6	83%
Other revenue	30.6	9.5	222%
Revenue	284.9	148.1	92%
Expenses	(54.6)	(37.6)	45%
Profit before tax expense	230.3	110.5	108%
Tax expense	(56.0)	(27.5)	103%
Profit after tax expense	174.3	82.9	110%
Effective tax rate	24.3%	24.9%	
Key Statistics			
Earnings per share (cents per share)	109.2	53.3	105%
Diluted earnings per share (cents per share)	101.8	48.9	108%
Dividends (interim and final) (cents per share, fully franked)	74.9	38.3	96%

Magellan Financial Group Overview (cont.)

[4]

- Two business activities
 - Magellan Asset Management (Funds Management Business)
 - Principal Investments
- Continuing dividend policy 75%-80% of net profit after tax of the funds management business¹
- Pay dividends promptly – 26 August 2015
- Offshore Banking Unit (OBU)
 - Assessable offshore banking income subject to a concessional tax rate of 10% (under current legislation)
 - Effective tax rate for the 12 months to 30 June 2015 is 24.3%
 - Offshore institutional global equity is 38% of management fees² for the year ended 30 June 2015.

¹Subject to available franking credits and corporate, legal and regulatory considerations.

²Management fees includes management, services and performance fees. Not all offshore institutional client fees fall under the OBU.

Funds Management Business

[5]

\$ million	30 Jun 2015	30 Jun 2014	% change
Revenue			
Management fees	203.5	132.6	53%
Performance fees	43.4	2.1	nm
Services fees	7.9	3.9	100%
Interest/other income	1.1	0.5	115%
	255.9	139.1	84%
Expenses			
Employee expense	31.2	23.6	32%
US Marketing/consulting fees ¹	5.5	3.1	76%
Other expense	15.9	9.9	61%
	52.6	36.6	44%
Profit before tax	203.3	102.5	98%

Key Statistics

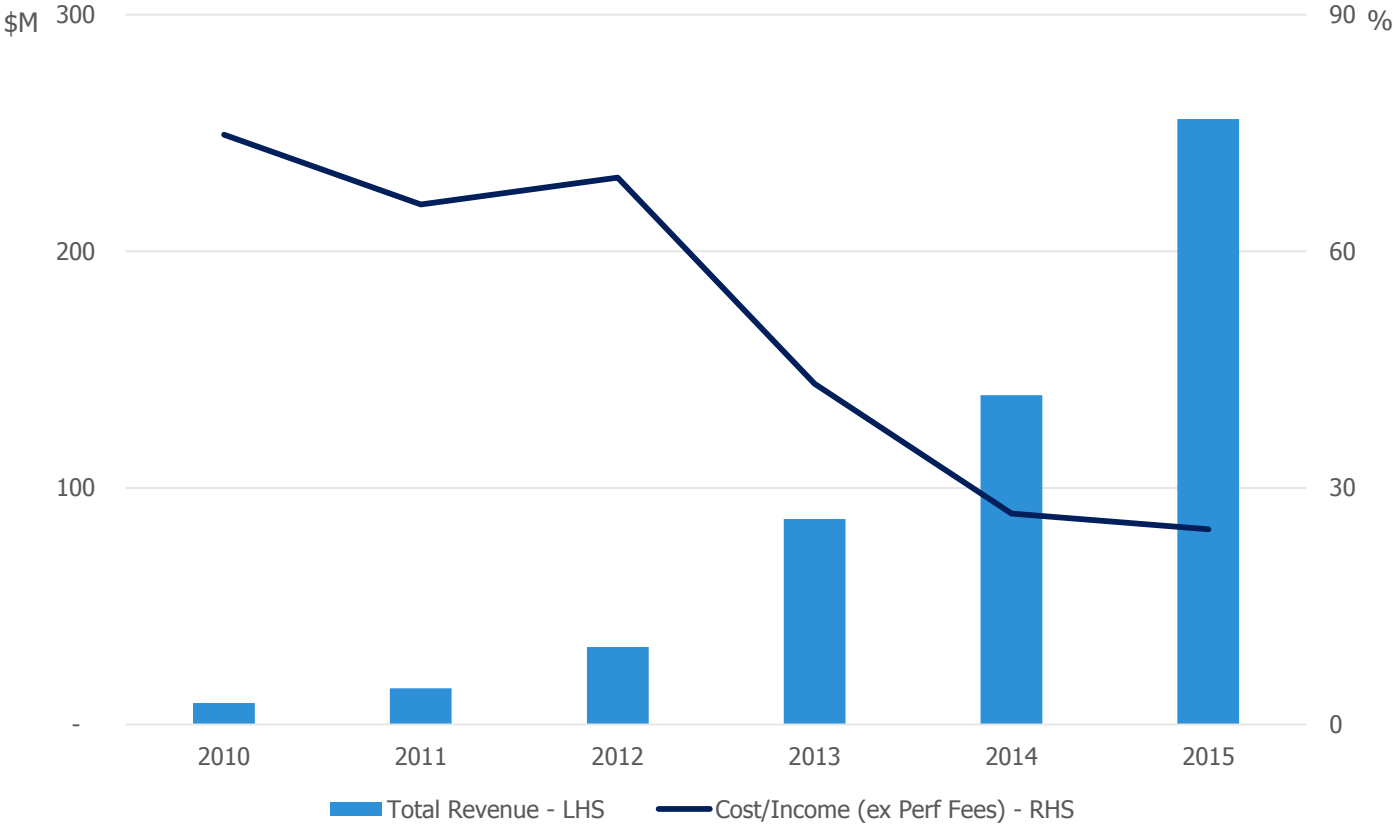
	30 Jun 2015	30 Jun 2014	% change
Average Funds Under Management (\$billion)	31.0	19.9	55%
Average AUD/USD exchange rate ²	0.8368	0.9182	
Avg. number of employees	80	64	25%
Employee expense/total expense	59.4%	64.4%	
Cost/Income	20.6%	26.3%	
Cost/Income (excl performance fees)	24.8%	26.7%	

¹Pursuant to the agreement, Frontier Partners is entitled to receive 25% of net management fees from Frontier MFG Funds and 20% of management fees from institutional mandate clients in North America.

²Based on daily average of London 4pm exchange rates over the twelve month period.

Scalable Business Model

Funds Management Business



Funds Management Business - Highlights

[7]

- Solid investment performance¹ for the year ended 30 June 2015
 - Magellan Global Fund 29.5% (outperforming MSCI World NTR Index by 4.9%)
 - Magellan Infrastructure Fund 12.3% (outperforming Global Infrastructure Benchmark² by 4.8%)
- Launch of Magellan Global Equities Fund (ASX quoted fund)
- Entering into new arrangements with AMP and BT/Westpac

¹Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). All returns are denoted in AUD.

²The Global Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure and Utilities NTR Index (AUD Hedged) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (AUD Hedged).

Funds Under Management Summary

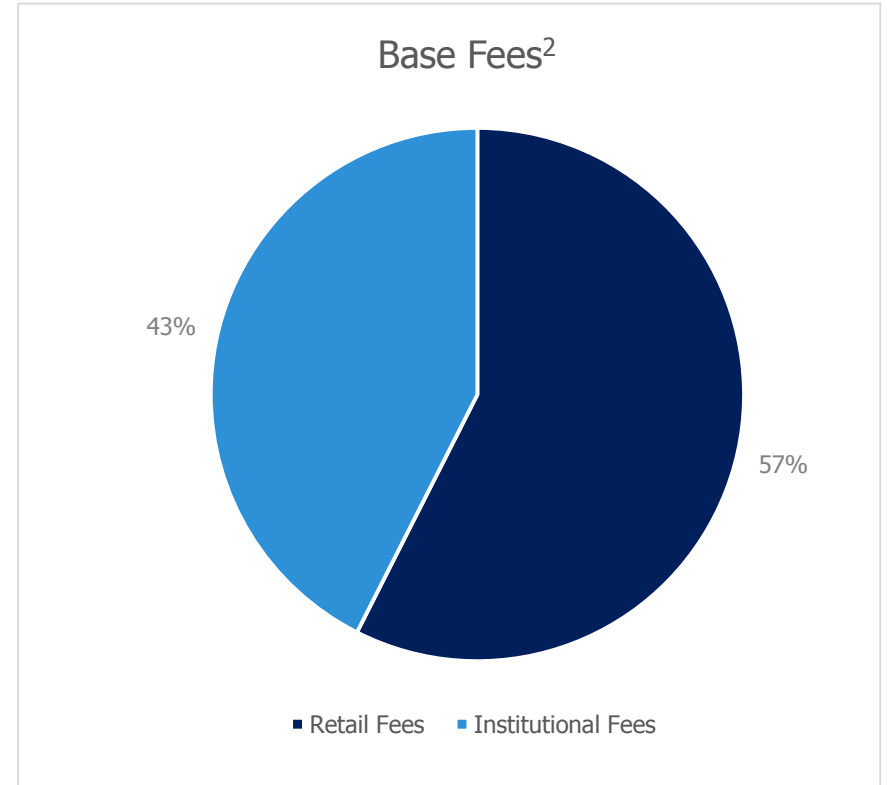
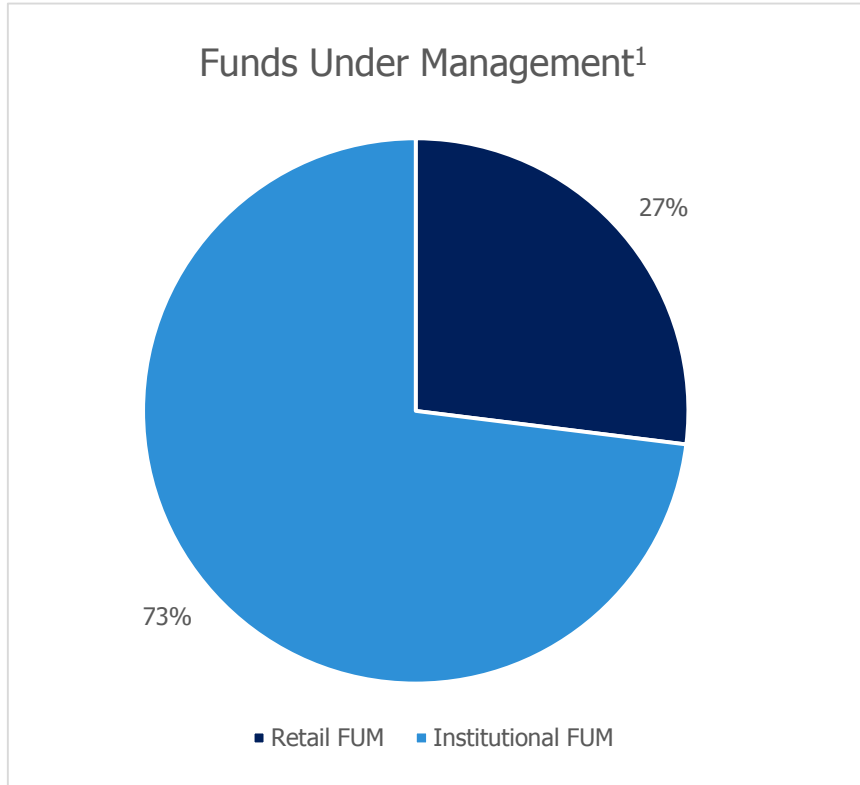
[8]

	30 June 2015	30 June 2014	30 June 2013
\$ million			
Retail	9,809	6,693	4,542
Institutional			
- Australia/NZ	3,871	2,889	2,424
- North America	8,462	4,690	2,891
- Rest of World	14,239	9,241	4,838
	26,572	16,820	10,153
Total FUM	36,381	23,513	14,695
%			
Retail	27%	28%	31%
Institutional			
- Australia/NZ	11%	12%	16%
- North America	23%	20%	20%
- Rest of World	39%	40%	33%
	73%	72%	69%
Total FUM	100%	100%	100%
Breakdown of Funds Under Management (\$ million)			
- Global Equities	31,015	19,443	12,088
- Infrastructure Equities	5,366	4,070	2,607
Average Base Management fee (bps) per annum (excl Perf Fee)¹	66	67	66

¹ Calculated using management fees (excluding services and performance fees) for the relevant period divided by the average of month end FUM over the same period.

Well-balanced business

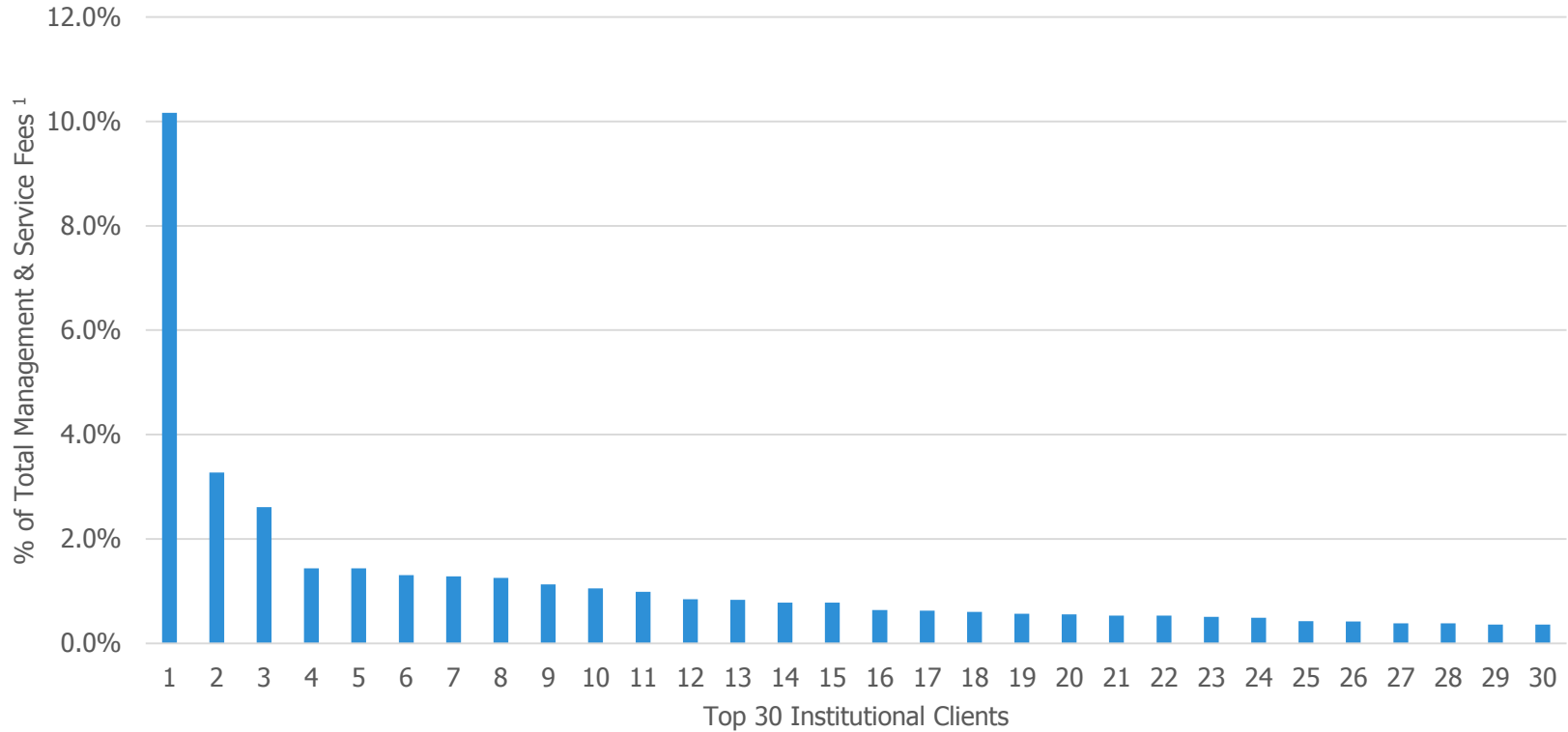
[9]



Notes

1. FUM split is as at 30 June 2015.
2. Base Fees are Management and Services fees for the 12 months to 30 June 2015 and exclude Performance fees.

Institutional Client Diversity



Cumulative Total Management and Services Fees¹

Top Institutional Clients	5	10	20	30
%	19	25	32	37

¹ Management and Service fees for the 12 months to 30 June 2015 for separately managed accounts and institutional investors in local and offshore vehicles. Excludes Performance fees.

Employee Summary

[11]

Staff	30-Jun-15	30-Jun-14	30-Jun-13
Investment team			
Portfolio Managers/Analysts	29	22	20
Traders	3	2	2
	32	24	22
Governance & Advisory ¹	4	1	-
Distribution	21	15	14
Risk, Compliance & Company Secretarial	5	3	1
Business Support & Control	23	18	16
Administration	6	8	5
Total	91	69	58

- Expect staff expense to increase approximately 30 - 35% in 2015/16 financial year

¹Includes Brett Cairns, Executive Chairman, effective 1 January 2015.

Retail Business – well positioned to grow

[12]

Well positioned to benefit from compulsory superannuation trends:

- Independent Financial Advice firms
 - Relationships with over 500 firms¹
- Bank/AMP aligned advice markets
 - Strong relationships and representation with 4 of the top 6 major firms, with approximately 6,800 aligned advisers
 - Separate versions of the Magellan Global Fund available at Commonwealth Bank, BT/Westpac and AMP
 - At 1 August 2015, represented in over 120 model portfolios across Commonwealth Bank, BT/Westpac and AMP

¹Includes dealer groups that have more than \$200,000 funds under management with Magellan.

Retail Business – well positioned to grow (cont.)

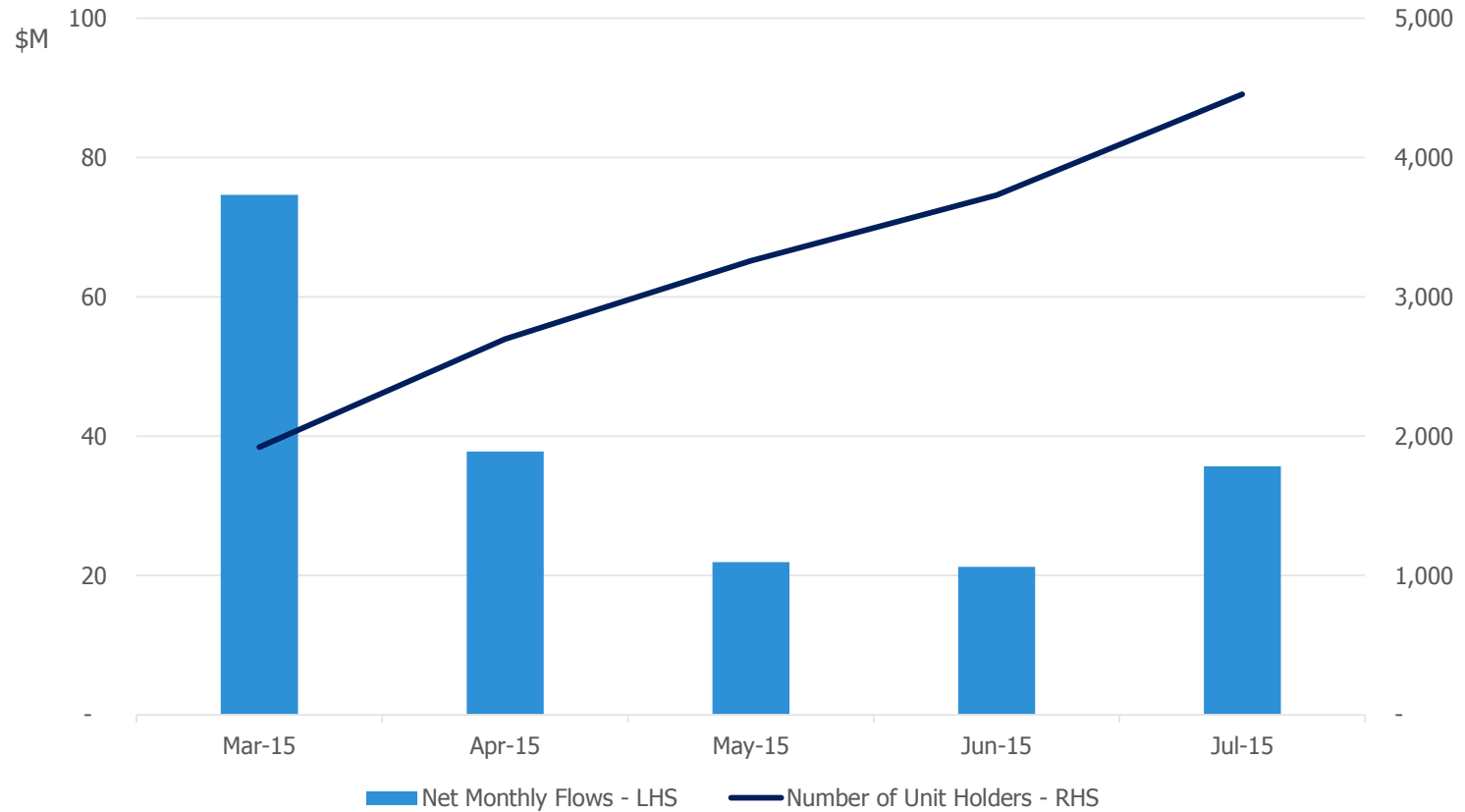
[13]

- ASX quoted funds
 - Magellan Global Equities Fund (MGE) launched in March 2015
 - Magellan Global Equities Fund (Currency Hedged) (MHG) launched in August 2015
- Strong Adviser Support
 - Total advisers using Magellan Global Fund¹ has increased from approximately 7,500 to 9,500 over the last 12 months
- Highly experienced team
 - 11 account managers in Sydney, Melbourne, Brisbane and Auckland

¹Includes Magellan Global Fund, Colonial First State Magellan Global Fund Option, Magellan Global Fund (Hedged) and Magellan Global Equities Fund.

Retail Business – Magellan Global Equities Fund

[14]



Retail Business

[15]

Funds Under Management and Net Inflows

- Total Retail FUM up by 47% to \$9.8 billion at 30 June 2015 (30 June 2014: \$6.7 billion)
- Total Net Retail Inflows for the year to 30 June 2015: \$1.4 billion (year to 30 June 2014 was \$2.1 billion)
- Average Monthly Retail Net Inflows:

Financial Year	Retail Global Strategy ¹ (\$million)	Total Retail (\$million)
2008	1.1	2.8
2009	4.1	6.8
2010	14.8	18.1
2011	32.0	37.0
2012	50.4	54.3
2013	140.8	148.5
2014	162.2	177.5
2015	104.9	120.2

¹ The retail component of the Global strategy includes Magellan Global Fund (retail portion), Magellan Global Fund (Hedged) (retail portion), Magellan High Conviction Fund, Magellan Global Equities Fund (quoted fund) and retail separately managed accounts for the Global strategy.

Institutional Business

[16]

- Total institutional FUM up 58% to \$26.6 billion at 30 June 2015 (30 June 2014: \$16.8 billion)
 - Global equities \$21.9 billion (82%)
 - Infrastructure \$4.7 billion (18%)
- More than 100 institutional clients¹ at 30 June 2015
- Net inflows for the year to 30 June 2015 of \$3.8 billion (year to 30 June 2014: \$5.0 billion)
- Closed Global Equity strategy to new separate accounts on 31 October 2014 and closed US mutual fund for new clients on 31 December 2014
- Launched Global Plus strategy including launch of US mutual fund in March 2015

¹The number of clients include separately managed accounts and institutional investors in local and offshore vehicles

Institutional Business cont.

[17]

Institutional Flows:

- Lumpy and difficult to predict timing of new business
- Gross outflows have averaged 0.5% of monthly institutional FUM (range 0.1% to 1.6%)
- Small institutional net outflows in April and June 2015
- Institutional outflows primarily relate to client re-balancing
- Lost 1 institutional separate account in 7 years

	2 Year Total (\$million)	2 Year Monthly Average (\$million)	2 Year Monthly Average (% of closing FUM)
Gross inflow	11,449	477	2.8
Gross outflow	(2,625)	(109)	-0.5
Net flow	8,824	368	2.3

Institutional Business cont.

[18]

- Australia/New Zealand
 - FUM is \$3.9 billion at 30 June 2015 (30 June 2014: \$2.9 billion)
- United States:
 - FUM is \$7.3 billion at 30 June 2015 (30 June 2014: \$4.0 billion)
 - Net inflows of \$1.8 billion for the year to 30 June 2015
- United Kingdom:
 - FUM is \$11.7 billion at 30 June 2015 (30 June 2014: \$7.9 billion)
 - Net inflows of \$1.1 billion for the year to 30 June 2015
 - St. James's Place has grown to \$6.1 billion at 30 June 2015 (30 June 2014: \$4.8 billion)
 - UK Core Infrastructure Fund has good inflows with FUM of \$2.9 billion at 30 June 2015 (30 June 2014: \$2.2 billion)
 - MFG Global Fund (a UCITS fund offered to institutional clients) FUM is \$2.0 billion at 30 June 2015 (30 June 2014: \$1.2 billion)

Investment Performance

For the periods to 30 June 2015

[19]

	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.) ¹
Magellan Global Fund (\$A)	29.5	26.4	19.6	12.0
MSCI World NTR Index (\$A)	24.6	25.8	15.3	4.5
MSCI World Minimum Volatility NTR Index (\$A)	30.6	22.7	14.9	6.0
S&P 500 TR Index (\$A)	24.3	29.8	17.7	7.1
Dow Jones Industrials TR Index (\$A)	20.3	25.4	16.4	7.2
Magellan Infrastructure Fund (\$A)	12.3	17.3	18.4	7.5
Global Infrastructure Benchmark (\$A) ²	7.5	15.3	13.5	5.3
Magellan High Conviction Strategy (\$A)	31.9	-	-	31.2

¹ Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007 and the Magellan High Conviction Strategy is 1 January 2013. ² The Global Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure and Utilities NTR Index (AUD Hedged) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (AUD Hedged).

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). Source: MSCI, UBS, S&P, Bloomberg, Magellan Asset Management Limited.



Global Equity Peer Comparison

Investment Performance for the period to 30 June 2015 in USD

[20]

	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Magellan Global Equity	7.4	16.9	19.4
Independent Franchise Partners Global Franchise	7.0	15.4	18.2
BLS Invest Global Equities	3.0	15.7	17.6
Artisan Global Value	1.0	17.5	17.3
MFS Global Concentrated Equity	5.7	18.6	16.8
Burgundy Global Equity	5.9	16.2	15.6
Vontobel Global Equity	5.7	13.8	15.5
Cedar Rock Capital Partners ¹	1.6	12.6	15.1
Morgan Stanley Global Franchise	3.8	12.6	15.1
Cantillon Global Equity	5.9	14.5	14.9
Walter Scott Global Equity	2.7	12.7	12.7
Veritas Global Focus ¹	2.4	12.5	12.5
First Eagle Global Value Equity	-0.3	10.3	11.4
Peer Average	4.0	14.6	15.5
Magellan Rank	1	3	1
MSCI World Net TR (USD)	1.4	14.3	13.1
MSCI World Quality Net TR (USD)	3.3	13.4	13.4
MSCI World Min Volatility Net TR (USD)	6.3	11.5	12.8

Unless stated otherwise, returns are before fees and denoted in US dollars.

¹Returns are after fees, before fee returns not available.

Source: MSCI, eVestment



Principal Investments

[21]

- Principal Investments include investments in Magellan Funds, listed shares, a small number of unlisted investments and surplus cash after allowing for the Group's working capital requirements.
- Board set a pre-tax return hurdle of 10% p.a. (over business cycle) for Principal Investments.

Investment Returns:

Time Period	Return (% p.a.)
1 Year to 30 June 2015	29.3%
3 Years to 30 June 2015	26.5%
5 Years to 30 June 2015	20.9%
1 July 2007 to 30 June 2015 ¹	10.2%

¹Return excludes investment in Magellan Flagship Fund Ltd.

Principal Investments cont.

[22]

Investment (\$ million)	30 June 2015	30 June 2014
Cash	2.1	0.3
Magellan Unlisted Funds ¹	127.6	115.2
Magellan Global Equities Fund ²	50.2	-
Listed shares	11.6	10.1
Other ³	12.4	3.8
Total	203.9	129.4
Deferred tax liability ⁴	(14.5)	(9.7)
Net principal investments	189.4	119.7
Net principal investments per share (cents) ⁵	111.0	70.9

¹Magellan Unlisted Funds includes the Magellan Global Fund, Magellan Infrastructure Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund (Unhedged), Magellan High Conviction Fund and the Frontier MFG Funds. ²Based on closing price on ASX at 30 June 2015. ³Other comprises distributions receivable and unlisted funds and shares. ⁴Deferred tax liability arising from changes in the fair value of financial assets and net capital losses carried forward. ⁵Based on the aggregate of 160,276,422 ordinary shares on issue at 30 June 2015 and 10,210,057 ordinary shares being the ordinary shares into which the 10,200,000 Class B Shares would be entitled to convert at 30 June 2015 (30 June 2014, it is based on 158,842,157 ordinary shares and 10,119,516 ordinary shares into which the 10,200,000 Class B Shares would have been entitled to convert at 30 June 2014).

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[23]

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