

Magellan Financial Group Limited

Interim Results

For the half year ended 31 December 2016

Hamish Douglass | CEO & Chief Investment Officer | 16th February 2017

Magellan Financial Group Interim Results

[2]

| \$ million | 31 Dec 2016 | 31 Dec 2015 | % change |
|--|--------------|--------------|--------------|
| Management and services fees | 146.1 | 132.7 | 10% |
| Performance fees | 3.6 | 42.8 | (92%) |
| Other revenue | 3.8 | 6.7 | (43%) |
| Revenue | 153.5 | 182.2 | (16%) |
| Expenses | (40.4) | (39.2) | 3% |
| Profit before tax expense | 113.1 | 143.0 | (21%) |
| Profit after tax expense | 87.0 | 109.3 | (20%) |
| Effective tax rate | 23.0% | 23.5% | |
| Key statistics | | | |
| Profit before tax and before performance fees ¹ | 109.5 | 100.7 | 9% |
| Diluted earnings per share (cents per share) | 50.6 | 63.7 | (21%) |
| Dividend (interim) (cents per share, fully franked) | 38.4 | 51.3 | (25%) |

1. Adjusts for the current period performance fee impact on revenue and expenses for the 6 month period.

Interim highlights

[3]

- Solid growth in funds under management and management and services fees:
 - Average funds under management up 10% to \$42.9 billion¹
 - Management and services fee revenue up 10% to \$146.1 million¹
 - Underlying profit before tax and performance fees up 9% to \$109.5 million¹
- Continued strong net inflows:
 - \$1.2 billion in net retail inflows and \$13.6 billion in total retail FUM
 - \$1.8 billion in net institutional inflows and \$32.9 billion in total institutional FUM
- Seeding of two of the three new institutional investment strategies which represent the next generation of global equities products for the Group

1. Percentage change relative to the 6 month period ended 31 December 2015.

Performance fee impact

[4]

- Performance fees fell \$39.2 million over the corresponding 6 month period
- Reduction in performance fees resulted in:
 - Fully diluted EPS falling 21% to 50.6 cents per share
 - Cost to income ratio (including performance fees) rising from 21.1% to 26.5%¹
- Excluding performance fees²:
 - Underlying profit before tax increased 9%
 - Cost to income ratio improved from 27.4% to 27.1%¹

1. Funds Management Business.
2. Adjusts for the current period performance fee impact on revenue and expenses for the 6 month period.

Launch of Low Carbon Strategies

[5]

- Seeding complete for two of the three new institutional strategies which represent the next generation of global equities products for the Group
- Leverage Magellan's existing intellectual capital and investment processes
- Low Carbon overlay is delivering a real client need:
 - Managing carbon risk is becoming increasingly important to many institutional investors and asset consultants globally
 - Magellan's approach is highly differentiated to the majority of products in this space
- Portfolio Managers promoted from within the Investment Team
- Anticipated timing for launch and vehicle availability:

| Strategy | Seeded | US Mutual Fund | UCITS fund |
|-----------------------------------|--------|----------------|--------------|
| Global Low Carbon | Yes | 1HCY17 | January 2017 |
| US Low Carbon | Yes | CY17 | n/a |
| International (non US) Low Carbon | CY17 | CY17 | n/a |

Theoretical Firm Capacity¹

[6]

| Strategy | US\$ billion | A\$ billion ² |
|-------------------------------------|--------------|--------------------------|
| Global Equity | 40 | 53 |
| Global Listed Infrastructure Equity | 15 | 20 |
| Low Carbon Strategies | 30 | 40 |
| Total | 85 | 113 |

- As at 31 December 2016, Magellan had total funds under management of A\$46.5 billion (~US\$33.7 billion)

1. Magellan carefully takes into account the investment universe, the market capitalisation established for the strategy and liquidity requirements in ascertaining the theoretical capacity of each of our strategies. This theoretical capacity is not static and should be approximately indexed to changes in the values of world equity markets over time. Broadly this theoretical capacity should be indexed for world market movements, subject to the impact of price movements on our investment universe. The stated capacity numbers are purely theoretical and should in no way be taken as a forecast or indication as to the level of funds under management the Group may have in the future.

2. Using A\$/US\$ exchange rate of 0.75.

Magellan Financial Group Overview

[7]

- Two business activities:
 - Magellan Asset Management (Funds Management Business)
 - Principal Investments
- Continuing dividend policy 75%-80% of profit of funds management segment¹
- Pay dividends promptly – 2 March 2017 (interim dividend)
- Offshore Banking Unit (OBU):
 - Assessable offshore banking income subject to a concessional tax rate of 10% (under current legislation)
 - Effective tax rate for the 6 months to 31 December 2016 is 23.0% (23.5% for the 6 months to 31 December 2015)

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

Funds Management Business

[8]

| \$ million | 31 Dec 2016 | 31 Dec 2015 | % change |
|--|--------------|--------------|--------------|
| Revenue | | | |
| Management fees | 141.8 | 128.3 | 11% |
| Performance fees | 3.6 | 42.8 | (92%) |
| Services fees | 4.3 | 4.4 | (1%) |
| Interest/other income | 0.5 | 0.8 | (45%) |
| | 150.2 | 176.3 | (15%) |
| Expenses | | | |
| Employee expense | 23.5 | 21.5 | 9% |
| US Marketing/consulting fees ¹ | 3.8 | 3.7 | 2% |
| Fund administration and operational costs | 4.0 | 3.5 | 12% |
| Information technology expense | 1.9 | 1.9 | 1% |
| Foreign and withholding taxes | 0.1 | 2.1 | (94%) |
| Occupancy expense | 1.6 | 0.5 | 226% |
| Other expense | 4.9 | 3.9 | 26% |
| | 39.7 | 37.2 | 7% |
| Profit before tax | 110.4 | 139.1 | (21%) |
| Profit before tax and before performance fees² | 106.8 | 96.9 | 10% |

Key Statistics

| | 31 Dec 2016 | 31 Dec 2015 | % change |
|--|-------------|-------------|----------|
| Average Funds Under Management (\$ billion) | 42.9 | 38.8 | 10% |
| Average AUD/USD exchange rate ³ | 0.7534 | 0.7231 | 4% |
| Avg. number of employees | 104 | 96 | 8% |
| Employee expense/total expense | 59.1% | 58.0% | |
| Cost/Income | 26.5% | 21.1% | |
| Cost/Income (excl performance fees) ² | 27.1% | 27.4% | |

1. Frontier Partners is entitled to receive 25% of net management fees from Frontier MFG Funds and 20% of management fees from all institutional mandate clients in the US and agreed institutional mandate clients in Canada.

2. Adjusts for the current period performance fee impact on revenue and expenses for the 6 month period.

3. Based on daily average of London 4pm exchange rates over the 6 month period.



Employee Summary

[9]

| Staff | 31 Dec 2016 | 30 June 2016 | 31 Dec 2015 |
|---|-------------|--------------|-------------|
| Investment team | | | |
| Portfolio Managers/Analysts | 35 | 32 | 34 |
| Traders | 3 | 3 | 3 |
| | 38 | 35 | 37 |
| Governance & Advisory | 5 | 4 | 4 |
| Distribution | 34 | 30 | 28 |
| Risk, Compliance, Legal & Company Secretarial | 8 | 7 | 7 |
| Business Support & Control | 16 | 17 | 17 |
| Administration | 7 | 7 | 7 |
| Total | 108 | 100 | 100 |

- Expect Group staff expense to increase approximately 9-12% in 2016/17 financial year
 - Revised downward from previous guidance of 15-18%

Historical figures have been restated to reflect business division transfers (Legal team from Business Support & Control to Risk, Compliance, Legal & Company Secretarial and Performance and Reporting team from Business Support & Control to Distribution).

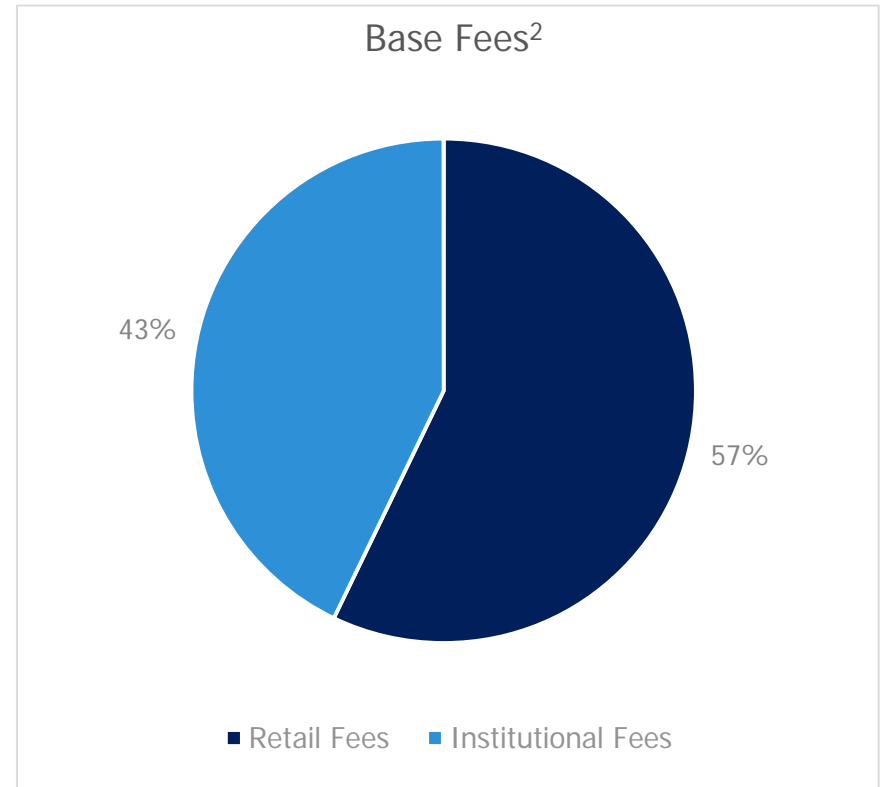
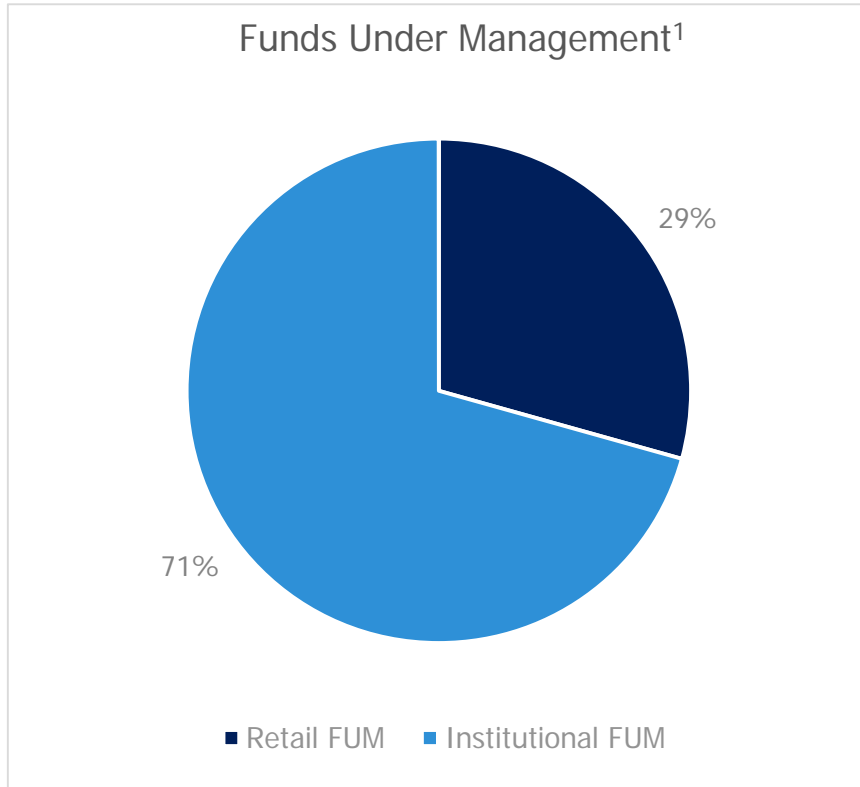
Funds Under Management Summary

[10]

| | 31 Dec 2016 | 30 June 2016 | 31 Dec 2015 |
|--|---------------|---------------|---------------|
| \$ million | | | |
| Retail | 13,650 | 12,041 | 11,429 |
| Institutional | | | |
| - Australia/NZ | 4,617 | 4,415 | 3,495 |
| - North America | 10,117 | 9,145 | 9,507 |
| - Rest of World | 18,131 | 14,894 | 15,222 |
| | 32,865 | 28,454 | 28,224 |
| Total FUM | 46,515 | 40,495 | 39,653 |
| % | | | |
| Retail | 29% | 30% | 29% |
| Institutional | | | |
| - Australia/NZ | 10% | 11% | 9% |
| - North America | 22% | 23% | 24% |
| - Rest of World | 39% | 37% | 38% |
| | 71% | 70% | 71% |
| Total FUM | 100% | 100% | 100% |
| Breakdown of Funds Under Management (\$ million) | | | |
| - Global Equities | 39,511 | 33,723 | 33,769 |
| - Global Listed Infrastructure | 7,004 | 6,772 | 5,884 |
| Average Base Management fee (bps) per annum (excl Perf Fee) | 66 | 66 | 66 |
| FUM subject to Performance Fees (%) | 38% | 38% | 37% |

Well-balanced business

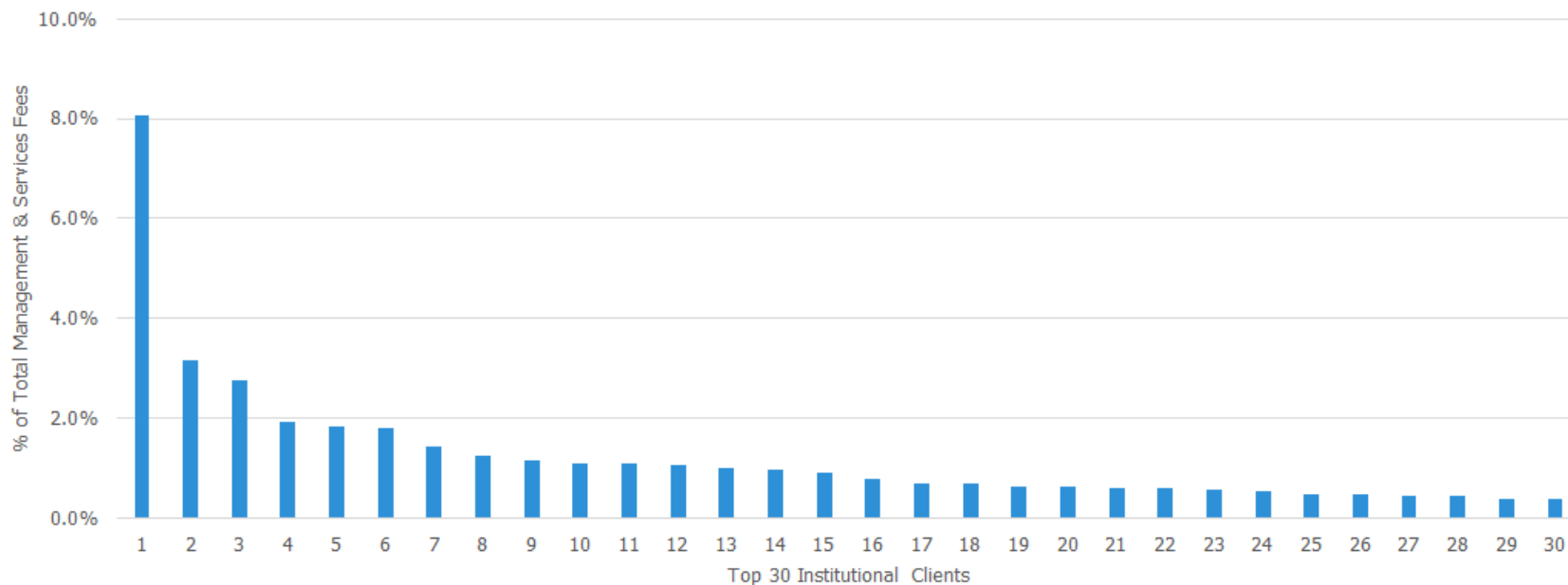
[11]



1. FUM split is as at 31 December 2016.

2. Base Fees are Management and Services fees for the 6 months to 31 December 2016 and excludes Performance fees.

Institutional Client Diversity



Cumulative Total Management and Services Fees¹

| Top Institutional Clients | 5 | 10 | 20 | 30 |
|---------------------------|----|----|----|----|
| % | 18 | 25 | 33 | 38 |

1. Management and Services fees for the 6 months to 31 December 2016 for separately managed accounts and institutional investors in local and offshore vehicles. Excludes Performance fees.

Retail Business – well positioned to grow

[13]

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
 - Replica versions of the Magellan Global Fund and Magellan Infrastructure Fund available at Commonwealth Bank and replica versions of the Magellan Global Fund available at BT/Westpac and AMP (total FUM is \$2.4 billion at 31 December 2016)

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

Retail Business – well positioned to grow (cont.)

[14]

- ASX quoted funds
 - Magellan Global Equities Fund (MGE) launched in March 2015
 - Magellan Global Equities Fund (Currency Hedged) (MHG) launched in August 2015
 - Magellan Infrastructure Fund (Currency Hedged) (MICH) launched in July 2016
 - Combined:
 - \$797 million in FUM¹
 - >14,500 unitholders¹
 - >60% SMSFs¹
- Strong adviser support
 - Total advisers using Magellan's range of retail funds is over 13,000
- Highly experienced team
 - 11 account managers in Sydney, Melbourne, Brisbane, Perth, Adelaide and Auckland

1. As at 31 January 2017.

Retail Business

Funds Under Management and Net Inflows

[15]

- Total Retail FUM is \$13.6 billion at 31 December 2016 (30 June 2016: \$12.0 billion)
- Total Net Retail Inflows for 6 months to 31 December 2016: \$1.2 billion
(6 months to 31 December 2015 was \$1.3 billion)
- Average Monthly Retail Net Inflows:

| Financial Year Ending | Retail Global Strategy ¹ (\$ million) | Retail Global Listed Infrastructure Strategy ² (\$ million) | Total Retail (\$ million) |
|-------------------------|---|---|------------------------------|
| 2013 | 140.9 | 8.2 | 149.1 |
| 2014 | 163.0 | 14.5 | 177.5 |
| 2015 | 103.8 | 16.4 | 120.2 |
| 2016 | 164.3 | 30.5 | 194.8 |
| 6 months to 31 Dec 2016 | 141.8 | 65.4 | 207.2 |

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

2. The retail component of the Global Listed Infrastructure strategy includes Magellan Infrastructure Fund (retail portion), Magellan Infrastructure Fund (Unhedged) (retail portion), Magellan Infrastructure Fund (Currency Hedged) (quoted fund) and retail separately managed accounts for the Global Listed Infrastructure strategy.

Note: Historical figures exclude MFF Capital Investments Limited.

Institutional Business

[16]

- Total institutional FUM is \$32.9 billion at 31 December 2016
(30 June 2016: \$28.5 billion)
 - Global equities \$27.3 billion
 - Global listed infrastructure \$5.6 billion
- More than 120 institutional clients¹ at 31 December 2016
- Total net institutional inflows for 6 months to 31 December 2016: \$1.8 billion
(6 months to 31 December 2015 was \$0.8 billion)
- Confident we will continue to see solid institutional interest in our global equities and global listed infrastructure capabilities over time

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

Institutional Business (cont.)

[17]

| FUM (\$ billion) | 31 December 2016 | 30 June 2016 | % change |
|------------------|------------------|--------------|------------|
| Australia/NZ | 4.6 | 4.4 | 5% |
| North America | 10.1 | 9.1 | 11% |
| Rest of World | 18.1 | 14.9 | 22% |
| Total | 32.9 | 28.5 | 16% |

Investment Performance

For the periods to 31 December 2016

[18]

| | 1 Year (%) | 3 Years (% p.a.) | 5 Years (% p.a.) | Since Inception (% p.a.) ¹ |
|---|---------------|---------------------|---------------------|---|
| Magellan Global Fund (\$A) | 3.7 | 11.0 | 19.2 | 11.0 |
| MSCI World NTR Index (\$A) | 8.0 | 11.4 | 18.4 | 4.8 |
| Magellan Infrastructure Fund (\$A) | 6.7 | 13.1 | 14.4 | 7.8 |
| Global Listed Infrastructure Benchmark (\$A) ² | 14.1 | 9.9 | 11.4 | 5.1 |
| Magellan High Conviction Strategy (\$A) | 3.5 | 12.1 | - | 20.9 |

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 Listed 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.

Principal Investments

- 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

| Investment (\$ million) | 31 December 2016 | 30 June 2016 |
|--|------------------|--------------|
| Cash | 2.6 | 2.3 |
| Magellan Unlisted Funds ¹ | 147.0 | 131.3 |
| Listed shares/funds ² | 95.2 | 74.7 |
| Other ³ | 0.3 | 11.2 |
| Total | 245.1 | 219.5 |
| Deferred tax liability ⁴ | (16.1) | (11.3) |
| Net principal investments | 229.0 | 208.2 |
| Net principal investments per share (cents) ⁵ | 133.1 | 121.1 |

1. Magellan Unlisted Funds includes the Magellan Global Fund, Magellan Infrastructure Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund (Unhedged), Magellan High Conviction Fund, the Frontier MFG Funds and Magellan Wholesale Plus Global Fund.
 2. Listed shares/funds include MGF Plus Portfolio, Global Low Carbon Portfolio, US Low Carbon Portfolio, Magellan Global Equities Fund and Magellan Global Equities Fund (Currency Hedged) and Magellan Infrastructure Fund (Currency Hedged) excluding receivables/payables (refer to footnote 3)
 3. Other comprises receivable/payables and unlisted funds and shares.
 4. Deferred tax liability arising from changes in the fair value of financial assets and net capital losses carried forward.
 5. Based on the aggregate of 172,076,468 ordinary shares on issue at 31 December 2016 (30 June 2016, it is based on 161,581,205 ordinary shares and 10,293,175 ordinary shares into which the 10,200,000 Class B Shares would have been entitled to convert at 30 June 2016).

Principal Investments (cont.)

- Board has set a pre-tax hurdle 10% p.a. (over business cycle) for the Principal Investments

Investment Returns:

| Time Period | Return |
|---|--------|
| 1 Year to 31 December 2016 | 3.9% |
| 3 Years to 31 December 2016 p.a. | 11.5% |
| 5 Years to 31 December 2016 p.a. | 21.1% |
| 1 July 2007 to 31 December 2016 p.a. ¹ | 10.3% |

1. Return excludes investment in MFF Capital Investments Limited.

Important Information

[21]

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