

Magellan Financial Group Limited

Final Results

For the year ended 30 June 2017

Hamish Douglass | CEO & Chief Investment Officer | 10th August 2017

Magellan Financial Group Final Results

[2]

| \$ million | 30 June 2017 | 30 June 2016 | % change |
|--|------------------|--------------|-------------|
| Management and services fees | 307.2 | 266.6 | 15% |
| Performance fees | 21.7 | 48.0 | (55%) |
| Other revenue | 9.4 | 19.2 | (51%) |
| Revenue | 338.3 | 333.8 | 1% |
| Expenses | (82.1) | (74.1) | 11% |
| Profit before tax expense | 256.1 | 259.7 | (1%) |
| Profit after tax expense | 196.2 | 198.4 | (1%) |
| Effective tax rate | 23.4% | 23.6% | |
| Key statistics | | | |
| Profit before tax and before performance fees ¹ | 234.6 | 212.3 | 10% |
| Diluted earnings per share (cents per share) | 114.1 | 115.5 | (1%) |
| Dividends | | | |
| Shares outstanding (millions) | 172.1 | 161.6 | 6% |
| Interim and Final Dividends (cents per share, fully franked) | 79.9 | n/a | |
| Annual Performance Fee Dividend (cents per share, fully franked) | 5.7 ² | n/a | |
| Total Dividends (cents per share, fully franked) | 85.6 | 89.3 | (4%) |

1. Adjusts for the current period performance fee impact on revenue and expenses for the 12 month period.
2. Relates to second half only

2017 Highlights

[3]

- Strong growth in funds under management and management and services fees:
 - Average funds under management up 16% to \$45.7 billion¹
 - Management and services fee revenue up 15% to \$307.2 million¹
 - Underlying profitability before tax and performance fees of the Funds Management business up 15% to \$226.8 million¹
- Continued strong net inflows:
 - Retail: \$1.7 billion
 - Institutional: \$2.3 billion
- Seeding of new institutional low carbon investment strategies which represent the next generation of global equities products for the Group

1. Percentage change relative to the 12 month period ended 30 June 2016.

Business Update

[4]

- **Cricket Australia – Domestic Test Series Sponsorship**
 - 3 year sponsorship with 2 year option
 - Significant brand building opportunity
 - Attractive target demographics
 - Supports our adviser business and aligns with our self-directed investor strategy
 - Contributes to a significant increase in forecast marketing costs
- **Launch of Magellan Global Trust**
 - ASX listed closed end trust
 - Attractive 4% target cash distribution yield
 - Costs of offer and loyalty bonus to be booked as one off expense in FY18

Important Information: The Product Disclosure Statement ("PDS") for the Units in the Magellan Global Trust ("MGT") is expected to be lodged with the Australian Securities and Investments Commission ("ASIC") and will be made available in mid-August 2017 ahead of the opening of the offer for interests in MGT ("Offer"). Further details about the MGT and the Offer will be provided once the PDS has been lodged with ASIC. Magellan will also make the PDS available through its website at www.magellangroup.com.au at that time. All investments carry risks and the PDS will provide details of the risks that may affect an investment in the MGT. The PDS should be read and considered in deciding whether to participate in the Offer or to continue holding units in the MGT. Magellan may vary the timing and terms of, or withdraw the Offer at any time.



Magellan Financial Group Overview

[5]

- Two business activities:
 - Magellan Asset Management (Funds Management Business)
 - Principal Investments
- Effective tax rate for the 12 months to 30 June 2017 is 23.4% (23.6% for 2016) (Offshore Banking Unit)
- Dividend policy 75%-80% of profit of funds management segment (excluding crystallised performance fees)¹
- Directors adopted a new policy of paying an annual Performance Fee Dividend of 0%-100% of net performance fees after tax²
- Pay dividends promptly – 28 August 2017 (Final and Performance Fee Dividends)

1. Subject to available franking credits and corporate, legal and regulatory considerations.
2. Also subject to the capital needs of the Group.

Funds Management Business

[6]

| \$ million | 30 June 2017 | 30 June 2016 | % change |
|--|--------------|--------------|------------|
| Revenue | | | |
| Management fees | 300.5 | 258.4 | 16% |
| Performance fees | 21.7 | 48.0 | (55%) |
| Services fees | 6.7 | 8.2 | (19%) |
| Interest/other income | 0.3 | 0.6 | (50%) |
| | 329.2 | 315.3 | 4% |
| Expenses | | | |
| Employee expense | 47.3 | 42.0 | 13% |
| US marketing/consulting fees ¹ | 7.9 | 7.2 | 10% |
| Fund administration and operational costs | 8.6 | 7.1 | 22% |
| Information technology expense | 3.8 | 3.6 | 4% |
| Marketing expense | 3.0 | 2.8 | 8% |
| Occupancy expense | 3.2 | 1.3 | 147% |
| Other expense | 7.1 | 7.5 | (5%) |
| | 80.9 | 71.5 | 13% |
| Profit before tax | 248.3 | 243.8 | 2% |
| Profit before tax and before performance fees² | 226.8 | 196.4 | 15% |

Key Statistics

| | 30 June 2017 | 30 June 2016 | % change |
|--|--------------|--------------|----------|
| Average Funds Under Management (\$ billion) | 45.7 | 39.4 | 16% |
| Average AUD/USD exchange rate ³ | 0.7538 | 0.7284 | 3% |
| Avg. number of employees | 104 | 96 | 8% |
| Employee expense/total expense | 58.5% | 58.8% | |
| Cost/Income | 24.6% | 22.7% | |
| Cost/Income (excl performance fees) ² | 26.3% | 26.5% | |

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 12 month period.

3. Based on daily average of London 4pm exchange rates over the 12 month period.



Employee Summary

[7]

| Staff | 30 June 2017 | 30 June 2016 |
|---|--------------|--------------|
| Investment team | | |
| Portfolio Managers/Analysts | 33 | 32 |
| Traders | 3 | 3 |
| | 36 | 35 |
| Governance & Advisory | 5 | 4 |
| Distribution | 35 | 30 |
| Risk, Compliance, Legal & Company Secretarial | 8 | 7 |
| Business Support & Control | 17 | 17 |
| Administration | 7 | 7 |
| Total | 108 | 100 |

- Expect Group staff expense to increase approximately 5-8% in FY18

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).

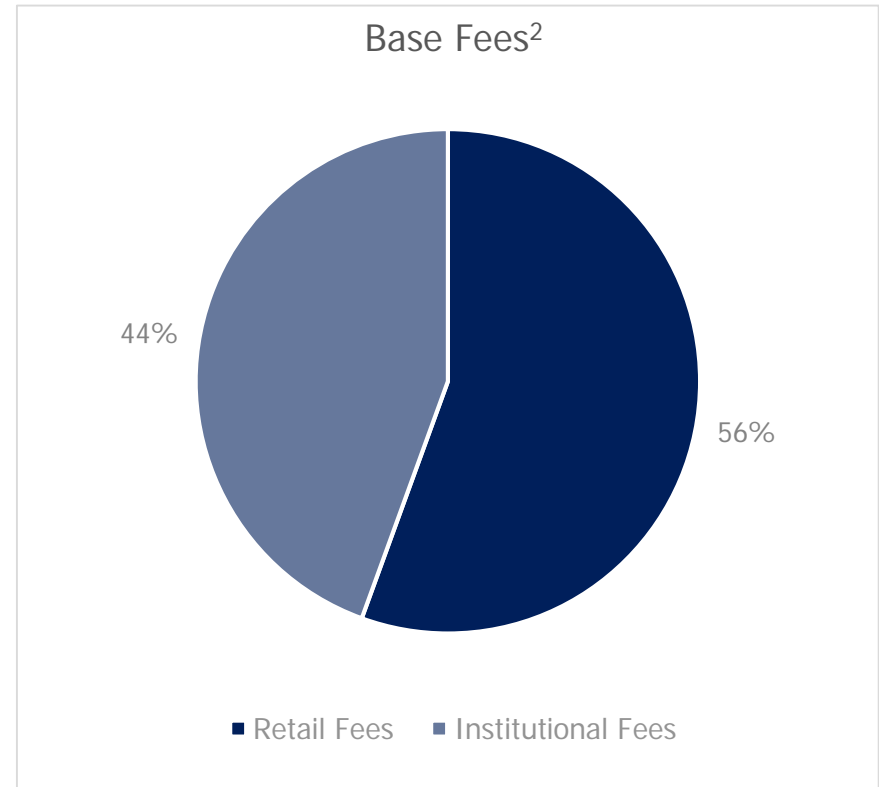
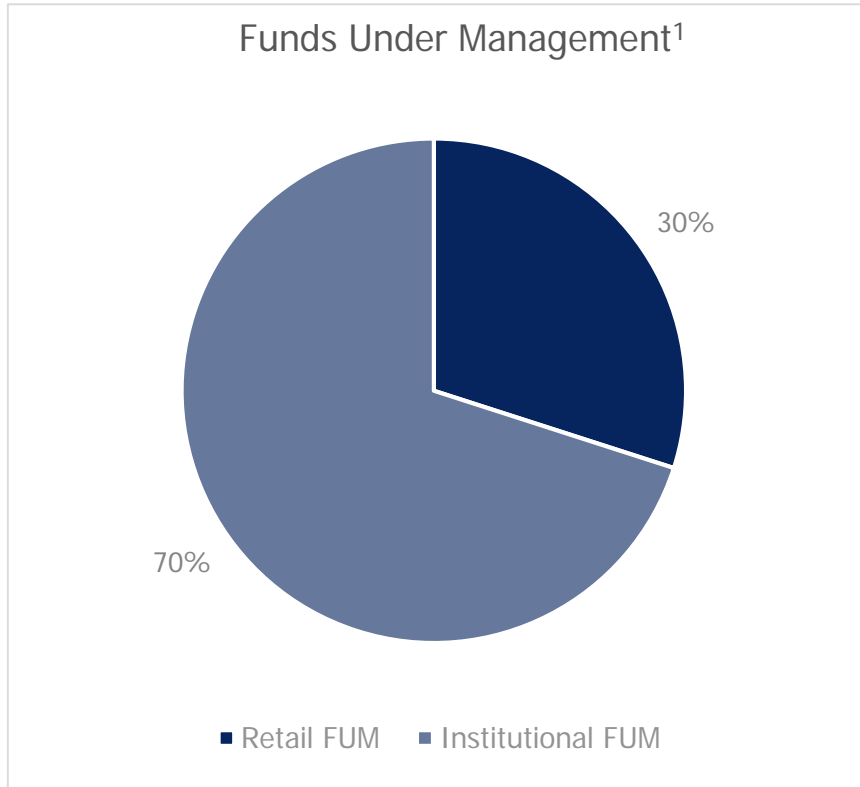
Funds Under Management Summary

[8]

| | 30 June 2017 | 30 June 2016 | 30 June 2015 |
|--|---------------|---------------|---------------|
| \$ million | | | |
| Retail | 15,159 | 12,041 | 9,809 |
| Institutional | | | |
| - Australia/NZ | 4,939 | 4,415 | 3,871 |
| - North America | 10,919 | 9,145 | 8,462 |
| - UK | 16,231 | 12,382 | 12,331 |
| - Rest of World | 3,349 | 2,512 | 1,908 |
| | 35,438 | 28,454 | 26,572 |
| Total FUM | 50,597 | 40,495 | 36,381 |
| % | | | |
| Retail | 30% | 30% | 27% |
| Institutional | | | |
| - Australia/NZ | 10% | 11% | 11% |
| - North America | 21% | 23% | 23% |
| - UK | 32% | 31% | 34% |
| - Rest of World | 7% | 6% | 5% |
| | 70% | 70% | 73% |
| Total FUM | 100% | 100% | 100% |
| Breakdown of Funds Under Management (\$ million) | | | |
| - Global Equities | 42,316 | 33,723 | 31,015 |
| - Global Listed Infrastructure | 8,281 | 6,772 | 5,366 |
| Average Base Management fee (bps) per annum (excl Perf Fee) | 66 | 66 | 66 |
| FUM subject to Performance Fees (%) | 38% | 38% | 37% |

Well-balanced Business

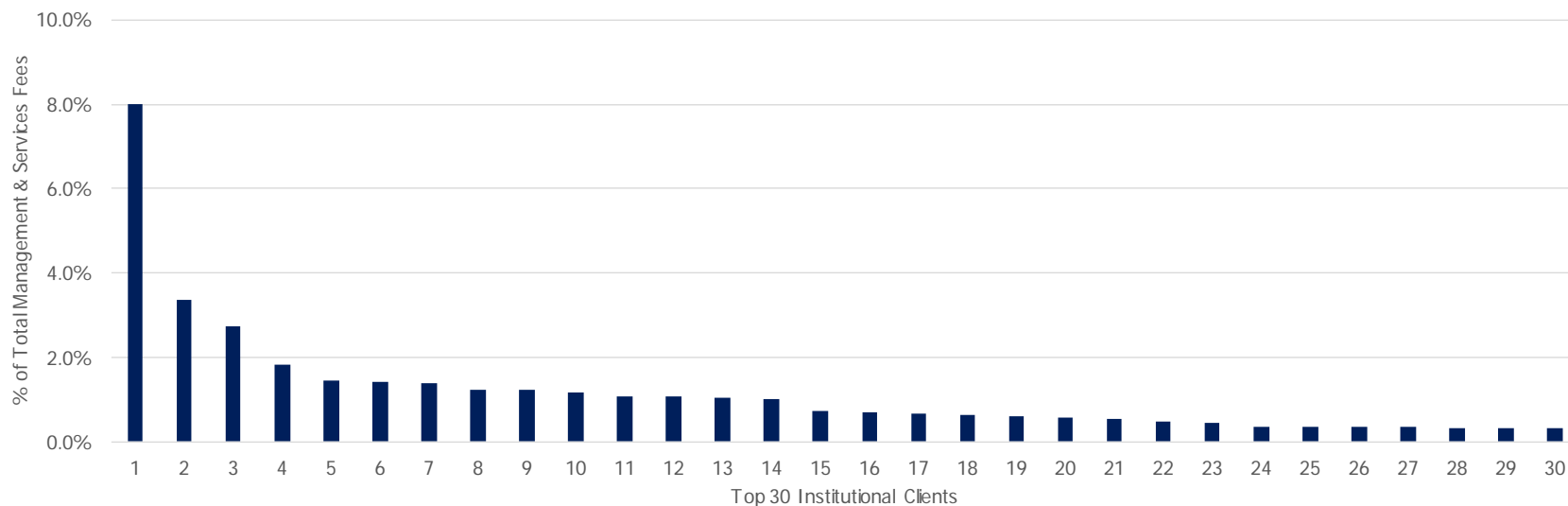
[9]



1. FUM split is as at 30 June 2017.

2. Base Fees are Management and Services fees for the 12 months to 30 June 2017 and exclude Performance fees.

Institutional Client Diversity



Cumulative Total Management and Services Fees¹

| Top Institutional Clients | 5 | 10 | 20 | 30 |
|---------------------------|----|----|----|----|
| % | 17 | 24 | 32 | 36 |

1. Management and Services fees for the 12 months to 30 June 2017 for separately managed accounts and institutional investors in local and offshore vehicles. Excludes Performance fees.

Retail Business – Three Channels to Market

[11]

Independent
financial advisers /
broker advised

- Relationships with over 500 independent advice firms¹
- ~40 stockbroking firms across Australia are using our Active ETFs

Bank/AMP aligned

- 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
- Replica version of the Magellan Infrastructure Fund available at Commonwealth Bank and BT/Westpac

Self-directed

- Active ETFs combined FUM of \$1.0 billion with ~18,500 unitholders
- Launching new ASX listed vehicle: Magellan Global Trust
- Expect Group's marketing expense to increase to \$11-11.5 million in FY18 as we invest in our self-directed investor strategy:
 - Brand awareness campaign
 - Brand refresh
 - Sponsorship and supporting initiatives
 - Development of new website

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

Magellan Global Trust

[12]

- Launching a new global equities strategy with a targeted cash distribution yield of 4% p.a.
- Creating a closed ended vehicle of scale through a Priority Offer to shareholders and investors in Magellan's retail strategies
 - Priority Offer to 250,000 - 300,000 existing Magellan shareholders and investors in Magellan's retail strategies
 - Priority Offer - higher of 1:10 on value of existing Magellan investment or \$30,000
 - Magellan to pay a loyalty bonus of 6.25% of the value of a priority applicant's allocation¹
- Broker Firm and General Public Offer to target new investors
- Magellan is paying all the costs of the offer
 - Combined with payment of loyalty bonus, will result in material one-off expense in FY18
 - Details of financial impact resulting from the offer to be disclosed following completion of the offer

1. Subject to the vesting and other conditions outlined in the Product Disclosure Statement.

Important Information: The Product Disclosure Statement ("PDS") for the Units in the Magellan Global Trust ("MGT") is expected to be lodged with the Australian Securities and Investments Commission ("ASIC") and will be made available in mid-August 2017 ahead of the opening of the offer for interests in MGT ("Offer"). Further details about the MGT and the Offer will be provided once the PDS has been lodged with ASIC. Magellan will also make the PDS available through its website at www.magellangroup.com.au at that time. All investments carry risks and the PDS will provide details of the risks that may affect an investment in the MGT. The PDS should be read and considered in deciding whether to participate in the Offer or to continue holding units in the MGT. Magellan may vary the timing and terms of, or withdraw the Offer at any time.

Building Brand Awareness

[13]

- Magellan brand awareness is low amongst self-directed investors
- Australian retail investors are materially underweight global equities
- Need to educate retail investors on the importance of global investing and build broad awareness of our brand
 - a number of initiatives including an advertising campaign highlighting the benefits of investing in global equities, a sponsorship with Cricket Australia and a new website
- Cricket Australia domestic test series sponsorship provides a highly scalable platform with very appealing demographics:
 - 53.5% of people that watch cricket invest in shares¹
 - >50% have household income >\$100k (over 10% have over \$200k)²
 - 30% have savings or investments of \$100k-\$499k; 16% have \$500k-\$999k; and 30% have over \$1m in savings and investments¹

1. Roy Morgan 2012-2016 population study. Note: interest in cricket classified as “watch at least occasionally” or “attend once per year”
2. Cricket Australia Demographic Data.

Retail Business

Funds Under Management and Net Inflows

[14]

- Retail FUM of \$15.2 billion at 30 June 2017 (30 June 2016: \$12.0 billion)
- Net Retail Inflows for 12 months to 30 June 2017: \$1.7 billion (\$2.3 billion in 2016)
- Average Monthly Retail Net Inflows:

| Financial Year Ended | 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 |
| 2017 | 100.7 | 45.9 | 146.6 |

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

[15]

- Institutional FUM of \$35.4 billion at 30 June 2017 (30 June 2016: \$28.5 billion)
 - Global equities \$28.9 billion
 - Global listed infrastructure \$6.5 billion
- More than 120 institutional clients¹ at 30 June 2017
- Total net institutional inflows for 12 months to 30 June 2017: \$2.3 billion (\$1.8 billion in 2016)
- Recently informed existing and prospective institutional clients of intention to close global equities strategies managed by Hamish Douglass to new investors by 31 December 2017²

1. The number of clients include separately managed accounts and institutional investors in local and offshore vehicles.
2. U.S. mutual fund will remain open with some allocated capacity.

Institutional Business (cont.)

[16]

| FUM (\$ billion) | 30 June 2017 | 30 June 2016 | % change |
|------------------|--------------|--------------|------------|
| Australia/NZ | 4.9 | 4.4 | 12% |
| North America | 10.9 | 9.1 | 19% |
| UK | 16.2 | 12.4 | 31% |
| Rest of World | 3.4 | 2.5 | 33% |
| Total | 35.4 | 28.5 | 25% |

Investment Performance

[17]

For the periods to 30 June 2017

| | 1 Year (%) | 3 Years (% p.a.) | 5 Years (% p.a.) | Since Inception (% p.a.) ¹ |
|---|---------------|---------------------|---------------------|---|
| Magellan Global Fund (\$A) | 15.4 | 14.3 | 18.4 | 11.0 |
| MSCI World NTR Index (\$A) | 14.7 | 12.8 | 18.0 | 5.0 |
| Magellan Infrastructure Fund (\$A) | 8.6 | 12.9 | 15.6 | 8.6 |
| Global Listed Infrastructure Benchmark (\$A) ² | 12.4 | 8.3 | 12.6 | 6.0 |
| Magellan High Conviction Strategy (\$A) | 20.8 | 16.3 | - | 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) | 30 June 2017 | 30 June 2016 |
|--|--------------|--------------|
| Cash | 3.4 | 2.3 |
| Magellan Unlisted Funds ¹ | 160.0 | 131.3 |
| Listed shares/funds ² | 102.9 | 74.7 |
| Other ³ | 5.0 | 11.2 |
| Total | 271.3 | 219.5 |
| Deferred tax liability ⁴ | (20.3) | (11.3) |
| Net principal investments | 251.0 | 208.2 |
| Net principal investments per share (cents) ⁵ | 145.8 | 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, Magellan Wholesale Plus Global Fund, Magellan Wholesale Plus Infrastructure Fund and the MFG Infrastructure Fund – Service Class.

2. Listed shares/funds include MGF Plus Portfolio, Global Low Carbon Portfolio, Low Carbon (US) Portfolio, International Portfolio, International Low Carbon Portfolio, Magellan Global Equities Fund, 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 30 June 2017 (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 30 June 2017 | 16.0% |
| 3 Years to 30 June 2017 p.a. | 14.8% |
| 5 Years to 30 June 2017 p.a. | 19.7% |
| 10 Years to 30 June 2017 p.a. ¹ | 10.8% |

1. Return excludes investment in MFF Capital Investments Limited.

Important Information

[20]

This presentation has been prepared by Magellan Financial Group Limited ('MFG').

While the information in this presentation has been prepared in good faith and with reasonable care, no representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained in the presentation.

This presentation may contain forward looking statements. These forward-looking statements have been made based upon MFG's expectations and beliefs concerning future developments and their potential effect upon MFG (and its controlled entities) and are subject to risks and uncertainty which are, in many instances, beyond MFG's control. No assurance is given that future developments will be in accordance with MFG's expectations. Actual results could differ materially from those expected by MFG.

This presentation does not constitute an offer to sell or a solicitation of an offer to purchase any security or financial product or service. Any such offer or solicitation shall be made only pursuant to a Product Disclosure Statement, Information Memorandum, Prospectus or other offer document relating to a financial product or service.

Past performance is not necessarily indicative of future results and no person guarantees the performance of any financial product or service or the amount or timing of any return from it. There can be no assurance that the financial product or service will achieve any targeted returns, that asset allocations will be met or that the financial product or service will be able to implement its investment strategy and investment approach or achieve its investment objective.

The information contained in this presentation is not intended to be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs.