

# Magellan Funds

## Additional Information Booklet | 1 December 2017

Issued by Magellan Asset Management Limited  
ABN 31 120 593 946, AFS Licence No. 304 301

You should read this Additional Information Booklet together with the PDS for the Magellan Fund(s) you are considering investing in.

Magellan Funds	PDS Date
Magellan Global Fund (ARSN 126 366 961)	28 September 2017
Magellan Global Fund (Hedged) (ARSN 164 285 661)	28 September 2017
Magellan Infrastructure Fund (ARSN 126 367 226)	28 September 2017
Magellan Infrastructure Fund (Unhedged) (ARSN 164 285 830)	28 September 2017
Magellan High Conviction Fund (ARSN 164 285 947)	1 December 2017

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This Additional Information Booklet (“**Booklet**”) provides important additional information about topics specified under the prescribed sections of the Product Disclosure Statement (“**PDS**”) of each of the Funds listed above except for Class B Units in Magellan High Conviction Fund (where additional information is disclosed under a separate Additional Information Booklet).

The information in this Booklet forms part of the PDS for each of the Funds. The PDS for each Fund is available on our website or you can call us and we will send you a paper copy free of charge.

The information in the PDS and in this Booklet 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.

Please visit our website for further information on the Funds including updated disclosure information, unit prices and performance. We recommend that you obtain and review such information before you invest in a Fund. Alternatively, you can call us and we will send you a paper copy of such information free of charge.

## 1. About Magellan Asset Management Limited

There is no additional information for this section.

## 2. How the Funds work

### Units and unit prices

The unit price is calculated by dividing the net asset value ("**NAV**") attributable to a unit class by the number of units on issue in that class. The unit price fluctuates each day as the market value of the Fund's assets rises or falls. The NAV unit price applicable to a given Business Day reflects the value of the net assets attributable to a unit class at close of business in each market in which the Fund invests. As the Fund invests in overseas markets, some of the Fund's asset values are not available until early the next day in Australia. The NAV unit price is usually calculated by the end of the Business Day following the day to which it is applicable, and is usually published on our website by 10.00am (Sydney time) the following Business Day.

When you invest in a Fund, we will calculate the units you receive using an entry unit price. The entry unit price is the NAV unit price for that day plus an allowance for transaction costs incurred by the Fund. When you withdraw your investment in the Fund, the value of your units will be calculated using an exit unit price. The exit unit price is the NAV unit price less an allowance for transaction costs. Further information about transaction costs can be found in Section 6 of the PDS.

Magellan's Unit Pricing Permitted Discretions Policy provides further information about how we calculate unit prices. You can request a copy of the policy free of charge by calling us.

### Completing the Application Form

The Application Form is available from [www.magellangroup.com.au](http://www.magellangroup.com.au). When making your initial investment in the Fund, please complete every section of the Application Form that is relevant to the type of investor you are.

The Application Form includes details of the identification documentation that we are required by law to collect from you before we can issue units in the Fund to you.

Please mail the completed original of the Application Form, together with certified copies of the requested identification documentation, to our Fund Administrator. The Fund Administrator's postal address details appear on the front of this Booklet or on the Application Form.

Please note that legislative requirements mean that we may not be able to accept an Application Form for an initial investment by fax or email.

### Additional investments

You can make an additional investment into an existing account at any time. You can complete the Additional Application Form available on our website or you can fax, email or write to our Fund Administrator indicating:

- your account name
- your account/investor number
- the name of the Fund into which you are making an additional investment
- the amount of additional monies you are investing
- the method of payment.

If you wish to make an additional investment by direct debit, we require you to complete and sign the Direct Debit section of the Additional Application Form. This provides us with the authority to debit your account. Please refer to the contact details at the front of this Booklet or on the Additional Application Form for details of the Fund Administrator's fax number, email and postal addresses.

### Payment of your application monies

We can accept payment of your application monies in Australian Dollars by cheque or electronic funds transfer (EFT). Direct debit requests can only be made from an Australian bank account.

If you wish to pay by cheque, please make your cheque payable to the relevant entity set out below, and mail the cheque with your Application Form:

Magellan Funds	Cheque payable to:
Magellan Global Fund	Magellan Asset Management Ltd ATF Magellan Global Fund
Magellan Global Fund (Hedged)	Magellan Asset Management Ltd ATF Magellan Global Fund (Hedged)
Magellan Infrastructure Fund	Magellan Asset Management Ltd ATF Magellan Infrastructure Fund
Magellan Infrastructure Fund (Unhedged)	Magellan Asset Management Ltd ATF Magellan Infrastructure Fund (Unhedged)
Magellan High Conviction Fund	Magellan Asset Management Ltd ATF Magellan High Conviction Fund

EFT payments can be made directly to the Fund's applications bank account. Please ensure that you make the EFT payment to the correct bank account for the Fund you wish to invest in. The Funds' bank account details are as follows:

Fund:	Bank:	Branch:	Account Name:	BSB:	Account Number:
<b>Magellan Global Fund</b>	National Australia Bank	225 George St, Sydney, NSW 2000	Magellan Asset Management Ltd ATF Magellan Global Fund	082401	85-414-3371
<b>Magellan Global Fund (Hedged)</b>			Magellan Asset Management Ltd ATF Magellan Global Fund (Hedged)	082401	94-365-2581
<b>Magellan Infrastructure Fund</b>			Magellan Asset Management Ltd ATF Magellan Infrastructure Fund	082401	85-414-3662
<b>Magellan Infrastructure Fund (Unhedged)</b>			Magellan Asset Management Ltd ATF Magellan Infrastructure Fund (Unhedged)	082401	94-365-2530
<b>Magellan High Conviction Fund</b>			Magellan Asset Management Ltd ATF Magellan High Conviction Fund	082401	94-365-2477

Please include the name of the account under which you are investing in the reference field of your EFT payment to assist us to match your monies against your Application Form.

If you wish to pay by direct debit, please complete and sign the Direct Debit section of the Application Form or Additional Application Form. This will give us the authority to debit the monies from the account that you nominate. Please also ensure you have read the terms of the Direct Debit Service Agreement which appears in Section 9 of this Booklet.

Any interest earned on the Funds' bank accounts is retained by Magellan.

#### Regular monthly investment plan

Participating in a regular monthly investment plan enables you to invest regular additional amounts into a Magellan Fund. The minimum ongoing monthly contribution is \$200.

To participate in a regular monthly investment plan, please complete the relevant section of the Application Form, which includes an authority to directly debit the contributions from your nominated bank account. Direct debits will be processed on the first Business Day following the 19th of each month.

#### Withdrawals

We will accept withdrawal requests via fax, email or mail. Instructions to withdraw should be signed by the nominated authorised signatory or signatories. Under some circumstances, we may need to contact you to request further documentation to confirm the validity of your instruction. This may delay processing of the withdrawal request.

We can only pay redemption proceeds to an Australian or New Zealand bank account held in the name of the investor. We are unable to pay redemption proceeds to a third party bank account. Normally we will pay redemption proceeds to the bank account you nominated on your Application Form when you opened your investment in the Fund, or if you have subsequently written to us to change your nominated account, we will pay proceeds to that account. For redemption proceeds paid to New Zealand bank accounts, the conversion of your Australian dollar proceeds to New Zealand dollars will be processed by the Funds' bank at the exchange rate prevailing at the processing time.

We will send you a confirmation of your redemption once it has been processed and paid. The confirmation will include details of the bank account to which the proceeds have been paid. If any details of the bank account are incorrect, you should contact our registry office straight away.

#### Switches

We will accept switch requests via fax, email or mail. Instructions to switch should be signed by the nominated authorised signatory or signatories. Under some circumstances, we may need to contact you to request further documentation to confirm the validity of your instruction. This may delay processing of the switch request. We are unable to process switches out of a Fund whilst restrictions on withdrawals apply.

#### Restrictions on withdrawals and switches

No withdrawals or switches, or payment of withdrawal proceeds shall be permitted where the calculation of the Net Asset Value of the Fund or withdrawals are suspended. Withdrawals or switches may be suspended for up to 28 days including where:

- it is impracticable for us, or we are unable, to calculate the Net Asset Value of the Fund, for example, because of financial market disruptions or closures;
- the payment of withdrawal proceeds involves realising a significant portion of the Fund's assets which would, in our opinion, result in remaining investors bearing a disproportionate amount of capital gains tax or expenses, or suffering any other disadvantage or diminution of the value of units held;
- we reasonably consider it would be in the interests of investors, or it is otherwise permitted by law; or
- where we receive withdrawal requests of an aggregate value that in our reasonable estimate exceeds 5% of the Fund's assets.

The withdrawal process, including the calculation of the exit unit price, applies only when a Fund is 'liquid' (within the meaning given to that term in the Corporations Act 2001). Where the Fund ceases to be liquid, units may only be withdrawn pursuant to a withdrawal offer

made to all investors in the Fund in accordance with the Fund's constitution and the Corporations Act 2001. We are not obliged to make such offers.

### **Indirect investors**

We authorise the use of this PDS as disclosure to persons who wish to access 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").

If you are investing in a Fund through a master trust or wrap account you do not yourself become an investor in the Fund. Instead, as the master trust or wrap account operator is investing on your behalf, it acquires the rights of investors. In most cases, references to 'you' or 'your' in the PDS (for example, receiving distribution income, reinvestment distribution income and redemptions) is a reference to the master trust or wrap account operator and accordingly their arrangements with you will set out your rights. We do not keep personal information about indirect investors.

Further, some provisions of the Fund's constitution will not be relevant to you. For example, you will generally not be able to attend meetings, or withdraw investments directly. You will receive reports from the master trust or wrap account operator, not us. The master trust or wrap account operator can exercise (or decline to exercise) those rights in accordance with the arrangements governing the operation of the master trust or wrap account.

Enquiries about a Fund should be directed to your licensed financial adviser, master trust or wrap account operator.

## 3. Benefits of investing in the Funds

There is no additional information for this section.

## 4. Risks of managed investment schemes

There is no additional information for this section.

## 5. How we invest your money

### **Permitted Investments**

Each Fund may invest in a wide variety of assets, including but not limited to the following:

- securities quoted (or soon to be quoted) on an international securities exchange or the ASX;
- specialised international and Australian investment trusts and other pooled investment vehicles;
- unlisted securities;
- options to purchase or sell any investment which is a permitted investment;
- discounted or purchased bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or any corporation;
- convertible notes or preference shares;
- equity swaps; and
- foreign exchange contracts.

### **Borrowing restrictions**

Each Fund may borrow against all or part of its investment portfolio provided that, at the time any new borrowing is entered into, the aggregate of those new borrowings and any pre-existing borrowings do not exceed:

- in the case of Magellan Global Fund, 5% of that Fund's gross asset value;
- in the case of Magellan Global Fund (Hedged), 5% of that Fund's gross asset value;
- in the case of Magellan Infrastructure Fund, 20% of that Fund's gross asset value;
- in the case of Magellan Infrastructure Fund (Unhedged), 20% of that Fund's gross asset value; or
- in the case of Magellan High Conviction Fund, 5% of that Fund's gross asset value.

### **Changes to a Fund**

Magellan has the right to close or terminate a Fund and change a Fund's investment return objective, asset classes and asset allocation ranges and currency strategy (if any), without prior notice in some cases. Magellan will inform investors of any material changes to the Fund's details in our next regular communication or as otherwise required by law.

### **Labour standards and environmental, social or ethical considerations**

Magellan believes that issues relating to labour standards, and to environmental, social and ethical considerations have the potential to affect the business outcomes of a Fund's investment companies. Accordingly, we review labour standards, and environmental, social and ethical considerations as part of the risk assessment that is completed when we determine the investment grade status of a company.

## 6. Fees and costs

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

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.

### Magellan Funds

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment fee</b> The fee to open your investment	Nil	Not applicable.
<b>Contribution fee</b> The fee on each amount contributed to your investment	Nil	Not applicable.
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not applicable.
<b>Exit fee</b> The fee to close your investment	Nil	Not applicable.
<b>Management costs<sup>^</sup> The fees and costs for managing your investment</b>		
<b>Magellan Global Fund</b>	% per annum	<p>The management and administration fees are calculated monthly based on the value of units in each class of the Fund at the end of each month. An estimate is accrued daily in the unit price and the fees are payable monthly in arrears from the assets of the relevant Fund.</p> <p>Performance fees (for all funds except Magellan High Conviction Fund) are 10% of the excess return of the units of the Fund above the higher of the 'Index Relative' hurdle and the 'Absolute Return' hurdle (the yield of 10-year Australian Government Bonds) over each 6 monthly period ending 31 December and 30 June (each a "Calculation Period").</p> <p>For Magellan High Conviction Fund<sup>†</sup>, performance fees are 10% of the excess return of the units of the Fund above the 'Absolute Return' hurdle (10% per annum) over each 6 monthly Calculation Period ending 31 December and 30 June.</p> <p>All Funds are subject to a 'High Water Mark' and 'Performance Fee Cap', as described below.</p> <p>The performance fee is estimated daily and accrued in the unit price.</p>
Management fee	1.25%*	
Administration fee	0.10%*	
Estimated performance fee	0.13%**	
<b>Estimated total management costs</b>	<b>1.48%</b>	
<b>Magellan Global Fund (Hedged)</b>	% per annum	<p>For Magellan High Conviction Fund<sup>†</sup>, performance fees are 10% of the excess return of the units of the Fund above the 'Absolute Return' hurdle (10% per annum) over each 6 monthly Calculation Period ending 31 December and 30 June.</p> <p>All Funds are subject to a 'High Water Mark' and 'Performance Fee Cap', as described below.</p> <p>The performance fee is estimated daily and accrued in the unit price.</p>
Management fee	1.25%*	
Administration fee	0.10%*	
Estimated performance fee	0.27%**	
<b>Estimated total management costs</b>	<b>1.62%</b>	
<b>Magellan Infrastructure Fund</b>	% per annum	<p>All Funds are subject to a 'High Water Mark' and 'Performance Fee Cap', as described below.</p> <p>The performance fee is estimated daily and accrued in the unit price.</p>
Management fee	0.95%*	
Administration fee	0.10%*	
Estimated performance fee	0.10%**	
<b>Estimated total management costs</b>	<b>1.15%</b>	
<b>Magellan Infrastructure Fund (Unhedged)</b>	% per annum	<p>The performance fee is estimated daily and accrued in the unit price.</p>
Management fee	0.95%*	
Administration fee	0.10%*	
Estimated performance fee	0.18%**	
<b>Estimated total management costs</b>	<b>1.23%</b>	
<b>Magellan High Conviction Fund<sup>†</sup></b>	% per annum	<p>The performance fee is estimated daily and accrued in the unit price.</p>
Management fee	1.40%*	
Administration fee	0.10%*	
Estimated performance fee	1.00%**	
<b>Estimated total management costs</b>	<b>2.50%</b>	
<b>Service fees</b>		
<b>Switching fee</b> The fee for changing investment options	Nil	Not applicable.

<sup>^</sup> These fees may be individually negotiated if you are a wholesale client (as defined in the Corporations Act 2001). For more information about negotiable fees, see 'Differential fees' under the heading 'Additional Explanation of Fees and Costs'.

\* Management costs described above are inclusive of the estimated 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 the management costs is currently estimated to be negligible. To the extent the GST impact changes (for example, if the Fund’s exposure to Australian securities increases), the actual management costs may vary from the rates stated above. For more information about management costs, see ‘Management costs’ under the heading ‘Additional Explanation of Fees and Costs’.

\*\* The estimated performance fee for the Fund represents Magellan’s reasonable estimate of the performance fee and is based on the actual performance fee for the year ending 30 June 2017. The simple average of the actual performance fees of each Fund (since inception up to and including 30 June 2017) differs from this amount for each Fund. This rate is inclusive of the estimated 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 the Fund over the relevant period. For more information about performance fees, see ‘Performance fees’ under the heading ‘Additional Explanation of Fees and Costs’.

† The fees and costs (including estimates) stated for Magellan High Conviction Fund apply to any class of units in the Fund except for Class B units. Additional information about fees and costs for Magellan High Conviction Fund - Class B Units is disclosed under a separate Additional Information Booklet.

## **Additional Explanation of Fees and Costs**

### **Management costs**

Management costs comprise management and administration fees and a performance fee, each of which is explained below.

#### **Management and administration fees**

Each Fund pays a management and administration fee to Magellan for operating the Funds and to cover normal fund expenses.

A management fee is payable to Magellan as responsible entity for managing the assets of the Funds and overseeing the operations of the Funds. The amount of the management fee for each Fund is set out in the table above.

An administration fee is paid to Magellan which Magellan uses to 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 and administration fees are calculated monthly based on the NAV (before fees) of each unit class in the Fund at the end of each month. Estimated fees are reflected in the daily unit prices and are payable at the end of each month.

Under each Fund’s constitution, we are entitled to receive the following maximum management and administration fees:

<b>Magellan Funds</b>	<b>Management and administration fees* (%)</b>
<b>Magellan Global Fund</b>	1.35% per annum.
<b>Magellan Global Fund (Hedged)</b>	1.35% per annum.
<b>Magellan Infrastructure Fund</b>	1.05% per annum.
<b>Magellan Infrastructure Fund (Unhedged)</b>	1.05% per annum.
<b>Magellan High Conviction Fund†</b>	1.50% per annum.

\* The management and administration fees quoted in the PDS for each Fund are inclusive of the estimated net effect of GST (i.e. inclusive of GST, less any reduced input tax credits). As each Fund predominantly invests in international securities, the GST impact on the management costs quoted in the PDS for each Fund is currently estimated to be negligible. To the extent the GST impact changes (for example, if a Fund’s exposure to Australian securities increases), the actual management and administration fees may vary from the rates stated above and in the PDS for the applicable Fund.

† The management and administration fees stated for Magellan High Conviction Fund apply to any class of units in the Fund except for Class B units. Additional information about fees and costs for Magellan High Conviction Fund - Class B Units is disclosed under a separate Additional Information Booklet.

Where a Fund incurs extraordinary expenses and outgoings that are not covered by the 0.10% administration fee, Magellan may pay for these from the Fund’s assets. We may pay extraordinary expenses and outgoings from the Funds’ assets because, under the constitutions of the Funds, in addition to the management and administration fee, Magellan is entitled to be indemnified from the assets of the Funds for any liability properly incurred by us in performing properly any of our duties or exercising any of our powers in relation to the Funds or attempting to do so.

### **Performance Fees**

Depending on how well a class of units in a Fund performs, Magellan may be entitled to a performance fee, payable by the Fund. Performance fees are calculated with reference to the performance hurdle (or hurdles) applicable to the class of units in the Fund and are subject to a ‘High Water Mark’ requirement and an overall cap. The details of the calculation methodology and the hurdles are set out below.

The daily unit prices for each class of units in a Fund include an accrual for performance fees equal to the amount that would be payable if it were the end of a Calculation Period.

#### Calculation Methodology

A Fund’s ‘total return’ per unit for each unit class (“**Total Return**”) is the dollar movement in its unit price (without transaction costs) during the Calculation Period (adjusted for any income or capital distributions and before any accrued performance fees during that Calculation Period). Adjustments will be made for any capital re-organisations such as unit divisions or consolidations. ‘Calculation Periods’ are 6 months in duration ending on 30 June and 31 December of each year.

A Fund’s ‘excess return’ per unit for each unit class (“**Excess Return**”) is its Total Return per unit less the hurdle return. Where a Fund has multiple performance hurdles, the Excess Return is the Total Return per unit less the higher of the applicable hurdle returns expressed in dollar terms.

Under each Fund's constitution, the Performance Fee per unit for each unit class contemplated in this Additional Information Booklet is 10%\*\* of the Excess Return.

\*\* The performance fee quoted in the PDS for each Fund is inclusive of the estimated net effect of GST (i.e. inclusive of GST, less any reduced input tax credits). As each Fund predominantly invests in international securities, the GST impact on the performance fees quoted in the PDS for each Fund is currently estimated to be negligible. To the extent the GST impact changes (for example, if a Fund's exposure to Australian securities increases), the actual performance fees may vary from the rates stated above and in the PDS for the applicable Fund.

#### Units issued during a Calculation Period

Performance fees are paid on the Excess Return of each unit on issue at the end of a Calculation Period, less a class level equalisation reserve ("**Equalisation Reserve**"). The effect of the Equalisation Reserve is that we will only receive a performance fee in respect of a specific unit on performance generated after that unit is issued. The Equalisation Reserve accumulates over a Calculation Period. Each time a new unit is issued, the Equalisation Reserve is adjusted by an amount that represents the prevailing performance fee per unit accrued in the applicable entry price immediately prior to the issue of that new unit ("**Equalisation Adjustment**"). If the accrued performance fee per unit on the day a new unit is issued is nil, there will be no Equalisation Adjustment made to the Equalisation Reserve in respect of the issue of that new unit.

The Equalisation Reserve is subject to a ceiling such that the total Equalisation Reserve is the lesser of:

- a) the total of the Equalisation Adjustments calculated on each day of the Calculation Period; and
- b) the number of new units issued during the Calculation Period multiplied by the prevailing performance fee per unit.

The ceiling on the Equalisation Reserve ensures that our performance fee entitlement is not less than it would have been had no units been issued during the Calculation Period.

The exact impact of the performance fee on a particular investor will depend on the number of new units issued during a Calculation Period, the excess return achieved from the start of the Calculation Period to the date of issue of new units and the subsequent movement in the unit price to the end of the Calculation Period.

#### Units withdrawn during a Calculation Period

For units that are withdrawn during the Calculation Period, the day of withdrawal will be treated as the end of the Calculation Period with respect to those units and the performance fee will become payable to us.

The withdrawal proceeds will be net of any performance fees accrued on the day of withdrawal. Any switches will also be treated as if they were withdrawals for the purposes of calculating the performance fees.

#### Performance Hurdles

Magellan Global Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) are each subject to an 'Index Relative' and an 'Absolute Return' performance hurdle, as described below.

Magellan High Conviction Fund is subject to an Absolute Return performance hurdle only.

All Funds are subject to a 'High Water Mark' and 'Performance Fee Cap', as described below.

#### Index Relative Hurdles

Magellan Funds	Index Relative Hurdles:
<b>Magellan Global Fund</b>	MSCI World Net Total Return Index (AUD).
<b>Magellan Global Fund (Hedged)</b>	MSCI World Net Total Return Index (hedged to AUD).
<b>Magellan Infrastructure Fund</b>	S&P Global Infrastructure Index A\$ Hedged Net Total Return.*
<b>Magellan Infrastructure Fund (Unhedged)</b>	S&P Global Infrastructure Index A\$ Unhedged Net Total Return.*

\*The S&P Global Infrastructure Indices are a product of S&P Dow Jones Indices LLC and/or its affiliates. Redistribution, reproduction and/or photocopying in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC.

If an index ceases to be published, we will nominate an equivalent replacement index.

#### Absolute Return Hurdles

For Magellan Global Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged), the applicable Absolute Return performance hurdle is the yield of 10-year Australian Government Bonds as at the first Business Day of the Calculation Period, pro-rated for the Calculation Period.

For Magellan High Conviction Fund, the Absolute Return performance hurdle is 10% per annum.

#### High Water Mark

We will only be entitled to a Performance Fee where the unit price at the end of the Calculation Period exceeds the applicable High Water Mark. The High Water Mark is the unit price at the end of the most recent Calculation Period for which we were entitled to a performance fee, less any intervening income and capital distribution. For the first Calculation Period after the commencement of the Fund, the High Water Mark is taken to be \$1.00.

#### Performance Fee Cap

The performance fee reduces the unit price of the Fund. We will reduce the performance fee we are otherwise entitled to in order to make sure that the performance fee does not reduce the unit price (after the performance fee has been paid) of that Fund below the High Water Mark for the relevant Calculation Period.

## Total transactional and operational costs

Transactional and operational costs such as brokerage and transactional taxes are incurred by the Fund when the Fund acquires and disposes of securities. An estimate of transactional and operational costs for the Fund is provided in the table below. These estimated costs are based on the actual transactional and operational costs incurred by the Fund for the year ended 30 June 2017.

Magellan Funds	Total transactional and operational costs (% p.a.)	Recovery through buy/sell spread (% p.a.)	Net transactional and operational costs (% p.a.)	For every \$50,000 you have in the Fund you will likely incur approximately:
Magellan Global Fund	0.02%	0.04%	Nil	Nil
Magellan Global Fund (Hedged)	0.04%	0.06%	Nil	Nil
Magellan Infrastructure Fund	0.16%	0.07%	0.09%	\$45
Magellan Infrastructure Fund (Unhedged)	0.10%	0.09%	0.01%	\$5
Magellan High Conviction Fund	0.05%	0.02%	0.03%	\$15

The net transactional and operational costs take into account the buy / sell spread recovered in respect of the year ended 30 June 2017. The amount of these costs will vary from year to year depending on the volume and value of the trading activity in the Fund, and the value of applications and withdrawals processed. Where the transactional and operational costs are not fully recovered from investors from the buy / sell spread, the difference will be borne by the relevant Fund out of the Fund's assets without recovery from individual investors and is reflected in the unit price of the relevant Fund.

Transactional and operational costs are paid out of the assets of the Fund and are not paid to Magellan.

### Fees for indirect investors

For investors accessing the Fund 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"), additional fees and costs may apply. These fees and costs are stated in the offer document provided by your master trust or wrap account operator. These are not fees paid to Magellan.

### Payments to platforms

Some master trusts, wrap accounts or other investment administration services ("Platforms") charge product access payments fees (as a flat dollar amount each year) for having the Fund included on their investment menus. We may, therefore, pay amounts from the fees we receive to any Platform through which the Fund is made available. As these amounts are paid by us out of our own resources, they are not an additional cost to you.

### Financial adviser fees

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. Magellan pays no commissions related to your investments to financial advisers.

### Differential fees

A rebate of part of the management and administration fees or lower management and administration fees may be negotiated with investors who are wholesale clients for the purposes of the Corporations Act 2001. Further information can be obtained by contacting us.

## 7. How managed investment schemes are taxed

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

The taxation information contained in this Booklet reflects the Australian income tax legislation in force, and the interpretation of the Australian Taxation Office ("ATO") and the courts, as at the date of issue of this Booklet. Taxation laws are subject to continual change and there are reviews in progress that may impact the taxation of trusts and investors.

### AMIT Regime

Legislation to establish a new tax system for managed investment trusts ("MITs") was enacted in May 2016. Eligible MITs can elect to become an Attribution Managed Investment Trust ("AMIT") however this is irrevocable when elected.

The Funds intend to elect to become an AMIT. Accordingly, investors will be subject to tax on the income of the Fund that is attributed to them under the AMIT rules each year ending 30 June. If there is income of the Fund that is not attributed to an investor, the Fund will be subject to tax at the highest marginal rate (plus Medicare levy) on that non-attributed income. The AMIT rules will also allow the Fund to reinvest part or all of your distribution and/or accumulate part or all of the Fund's income in the Fund, in which case the income of the Fund that is attributed to you (and which must be included in your income tax return) will be more than the total distribution you receive.

Investors will be assessed for tax on their share of the net income and net capital gains generated by the Fund that is attributed to them under the AMIT rules. Investors will receive a tax statement after the end of each financial year (referred to as an AMIT Member Annual



Statement) that will provide them with details of the amounts that have been attributed to them by the Fund to assist them in the preparation of their tax return.

If the Fund or any of its classes of units were to incur a tax loss for a year then the Fund could not attribute that loss to investors. However, subject to the Fund meeting certain conditions, the Fund may be able to recoup such a loss against taxable income of the Fund in subsequent income years.

Depending on an investor's particular circumstances, they may also be liable to pay capital gains tax (or income tax if they hold their Units on revenue account) when they withdraw units.

Notification in relation to the AMIT status of the Funds will be made available on our website by the end of each financial year.

#### **Taxation of non-resident investors**

If a non-resident investor is entitled to taxable income of a Fund, the investor may be subject to Australian tax at the rates applicable to non-residents. If you are a non-resident, you may be entitled to a credit for Australian income tax paid by the Fund in respect of your tax liability.

#### **Taxation reforms**

Reforms to the taxation of funds are generally ongoing. Investors should seek their own advice and monitor the progress of announcements and proposed legislative changes on the potential impact to their investment.

#### **Quoting your Tax File Number ("TFN") or an Australian Business Number ("ABN")**

It is not compulsory for investors to quote their TFN, ABN, or exemption details. However, should an investor choose not to, Magellan is required to deduct tax from an investor's distributions at the maximum personal rate (plus the Medicare levy). Collection of TFNs is permitted by taxation and privacy legislation.

#### **GST**

Your investment in the Funds will not be subject to goods and services tax.

#### **Foreign Account Tax Compliance Act**

Under the Foreign Account Tax Compliance Act ("**FATCA**"), Magellan is deemed to be a "foreign financial institution" and is required to collect and report information about certain investors identified as U.S. tax residents or citizens. In order to comply with its FATCA obligations, Magellan may request investors to provide certain information ("**FATCA Information**").

To the extent that all FATCA Information is obtained, the imposition of US withholding tax on payments of US income or gross proceeds from the sale of particular US securities shall not apply. Although Magellan attempts to take all reasonable steps to comply with its FATCA obligations and to avoid the imposition of this withholding tax, this outcome is not guaranteed.

Under the terms of the intergovernmental agreement between the US and Australian governments, Magellan may provide FATCA Information to the ATO. We may use your personal information in order to comply with FATCA, and may contact an investor if additional information is required.

#### **Common Reporting Standard**

The Common Reporting Standard ("**CRS**") is a new standard for the automatic exchange of financial account information for tax purposes. CRS requires Magellan to collect certain information about an investor's tax residence. If an investor is a tax resident of any country outside Australia, Magellan may be required to pass certain information about the investor (including account-related information) to the ATO. The ATO may then exchange this information with tax authorities of another jurisdiction or jurisdictions, pursuant to intergovernmental agreements to exchange financial account information.

Although CRS does not involve any withholding tax obligations, please be aware that Magellan may use your personal information in order to comply with CRS obligations, and may contact an investor if additional information is required. Note: the account opening process cannot be completed until the requested information has been provided.

## 8. How to apply

There is no additional information for this section.

## 9. Other information

#### **Change of details**

From time to time, you may need to advise us of changes relating to your investment. You may advise us by fax, email or mail of changes relating to:

- your mailing address;
- your licensed financial adviser, if you have nominated one;
- your election to receive distributions as cash or to reinvest them; or
- your regular investment, if you participate in a regular monthly investment plan.

If you need to advise us of changes relating to your nominated bank account (to which we will pay the proceeds of withdrawals and distributions, if you have elected to receive these as cash), we require you to instruct us via mail. Please note that to enable us to verify that the account is in the name of the investor, you will need to include a copy of a bank statement for the new account with your notification showing the name in which the account is held and the bank account number. We may also request a certified copy of the bank statement.

We require original copies of standard transfer forms to be mailed to us (used if you wish to transfer your units from one account to a different account). We are unable to process transfer forms that are faxed, emailed or photocopied.

We require your instructions to be signed by the nominated signatory on your account. If you have nominated joint signatories for the account, both should sign notifications of changes in any of your details.

#### Contact details:

**Mail** Mainstream Fund Services – Unit Registry  
GPO Box 4968, Sydney NSW 2001

**Email** magellanfunds@mainstreamgroup.com

**Fax** +61 2 9251 3525

**Phone** 1300 127 780 or +61 2 8259 8566 (international) or 0800 787 621 (NZ).

#### Constitution

The operation of each Fund is governed under the Law and the respective constitutions of each Fund which addresses matters such as unit pricing and withdrawals and applications; the issue and transfer of units; investor meetings; investors' rights; our powers to invest, borrow and generally manage the Fund and our fee entitlement and right to be indemnified from the Fund's assets. Each Constitution states that your liability is limited to the amount you paid for your units, but the courts are yet to determine the effectiveness of provisions of this kind. We may alter a Fund's Constitution if we, as the responsible entity, reasonably consider the amendments will not adversely affect investors' rights. Otherwise, we must obtain investors' approval at a meeting of investors. We may retire or be required to retire as responsible entity (if investors vote for our removal). No units may be issued after the 80th anniversary of the date of the Constitution. We may exercise our right to terminate the Fund earlier. Your rights to requisition, attend and vote at meetings are mainly contained in the Corporations Act.

You can inspect a copy of each Fund's Constitution at our head office or we will provide you with a copy free of charge.

#### Classes of Units in a Fund

Additional unit classes in a Fund may be issued by Magellan in the future with the same or different terms to any existing unit classes of the Fund.

#### Custodian

The Northern Trust Company (acting through its Australian branch) (**'Northern Trust'**) has been appointed to hold the assets of each Fund under a Master Custody Agreement. As Custodian, Northern Trust will safe-keep the assets of each Fund, collect the income of each Fund's assets and act on our directions to settle each Fund's trades. Northern Trust does not make investment decisions in respect of the Funds' assets that it holds.

#### Consents

The following parties have given written consent (which has not been withdrawn at the date of this PDS) to being named in the form and context in which they are named, in this PDS:

- Mainstream Fund Services Pty Limited; and
- The Northern Trust Company.

Each party named above who has consented to be named in the PDS:

- has not authorised or caused the issue of this PDS;
- does not make or purport to make any statement in the PDS (or any statement on which a statement in the PDS is based) other than as specified; and
- to the maximum extent permitted by law, takes no responsibility for any part of the PDS other than the reference to their name in a statement included in the PDS with their consent as specified.

#### Anti-money laundering and counter terrorism financing (AML/CTF)

Australia's AML/CTF laws require us to adopt and maintain an AML/CTF Program. A fundamental part of the AML/CTF Program is that we know certain information about investors in the Funds. To meet this legal requirement, we need to collect certain identification information and documentation ("**KYC Documents**") from you if you are a new investor. If you are an existing investor you may also be asked to provide KYC Documents as part of a re-identification process to comply with the AML/CTF laws. Processing of applications or redemptions will be delayed or refused if you do not provide the KYC Documents when requested.

Under the AML/CTF laws, we may be required to submit reports to the Australian Transaction Reports and Analysis Centre ("**AUSTRAC**"). This may include the disclosure of your personal information. We may not be able to tell you when this occurs and, as a result, AUSTRAC may require us to deny you (on a temporary or permanent basis) access to your investment.

This could result in loss of the capital invested, or you may experience significant delays when you wish to transact on your investment. We are not liable for any loss you may suffer because of compliance with the AML/CTF laws.

#### Your privacy

We collect, hold, use, disclose and protect personal information in accordance with our Privacy Policy. A copy of our Privacy Policy is available on our website. You should contact us if you have any questions about Magellan's practices relating to the handling of personal information.

Your personal information is disclosed, collected and used by Mainstream Fund Services Pty Limited ("**Mainstream Fund Services**"), who Magellan has engaged as its third party investment administrator to support the administration of the Funds. We have contractual arrangements with Mainstream Fund Services to ensure that they comply with privacy laws when dealing with your personal information. A copy of Mainstream Fund Services' Privacy Policy can be accessed through their website at [www.mainstreambpo.com](http://www.mainstreambpo.com).

Magellan may use your personal information to market products and services to you; and to improve customer service by providing your personal information to other external service providers (including companies conducting market research).

Magellan also uses your personal information to comply with Anti-Money Laundering/Counter Terrorism Financing laws, Australian taxation laws and all other applicable laws; and discloses personal information to various law enforcement agencies, regulatory authorities and governments around the world, including the Australian Taxation Office and the Australian Transaction Reports and Analysis Centre.

Under FATCA and the CRS, Magellan is required to ask about your tax residency status under taxation information sharing agreements between Australia and other countries.

### **Additional information for New Zealand investors**

#### Warning Statement to New Zealand Investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and regulations made under that Act sets out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between the currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

The dispute resolution process described in this offer document is only available in Australia and is not available in New Zealand.

### **Direct Debit Request Service Agreement**

This information applies only if you have indicated that you wish for your initial or additional investment amounts to be paid by direct debit. Please ensure you have provided the details of your financial institution and completed the direct debit request in the relevant sections of the Application Form or Additional Application Form.

The following is your Direct Debit Service Agreement ("**Agreement**") with Mainstream Fund Services Pty Ltd ABN 81 118 902 891 ("**Mainstream Fund Services**"), who acts as the Fund Administrator of each Fund. The Agreement is designed to explain what your obligations are when undertaking a Direct Debit arrangement with Mainstream Fund Services. It also details what Mainstream Fund Services' obligations are to you as your Direct Debit Provider. We recommend you keep this information in a safe place for future reference. It forms part of the terms and conditions of your Direct Debit Request in the relevant sections of the Application Form or Additional Application Form (as applicable).

#### **Definitions:**

**Account** means the account held at your financial institution from which we are authorised to arrange for funds to be debited

**Agreement** means the Direct Debit Request Service Agreement between you and us

**Banking Day** means a day other than a Saturday or a Sunday or a public holiday listed throughout Australia

**Debit Day** means the day that payment by you to us is due

**Direct Payment** means a particular transaction where a debit is made

**Direct Debit Request** means the direct debit request in the Application Form or Additional Application Form

**Us or We** means Mainstream Fund Services, (the "Debit User") you have authorised by signing a Direct Debit Request

**You** means the customer who has signed or authorised by other means the Direct Debit Request

**Your financial institution** means the financial institution nominated by you on the Direct Debit Request at which the account is maintained.

#### **1. Debiting your Account**

1.1 By signing a direct debit request or by providing us with a valid instruction, you have authorised us to arrange for funds to be debited from your account. You should refer to the direct debit request and this agreement for the terms of the arrangement between us and you.

1.2 We will only arrange for funds to be debited from your account as authorised in the direct debit request.

or

We will only arrange for funds to be debited from your account if we have sent to the address nominated by you in the direct debit request, a billing advice which specifies the amount payable by you to us and when it is due.

- 1.3 If the debit day falls on a day that is not a banking day, we may direct your financial institution to debit your account on the following banking day. If you are unsure about which day your account has or will be debited you should ask your financial institution.
- 2. Amendments by Us**
- 2.1 We may vary any details of this agreement or a direct debit request at any time by giving you at least fourteen (14) days written notice.
- 3. Amendments by You**
- 3.1 You may change, stop or defer a debit payment, or terminate this agreement by providing us with at least fourteen (14) days notification by writing to:
- Unit Registry  
Mainstream Fund Services Pty Ltd  
GPO BOX 4968  
Sydney NSW 2001**
- or
- by telephoning us on 1300 127 780 or +61 2 8259 8566 (international) or 0800 787 621 (NZ) during business hours;
- or
- arranging it through your own financial institution.
- 4. Your Obligations**
- 4.1 It is your responsibility to ensure that there are sufficient clear funds available in your account to allow a debit payment to be made in accordance with the direct debit request.
- 4.2 If there are insufficient clear funds in your account to meet a debit payment:
- a) you may be charged a fee and/or interest by your financial institution;
  - b) you may also incur fees or charges imposed or incurred by us; and
  - c) you must arrange for the debit payment to be made by another method or arrange for sufficient clear funds to be in your account by an agreed time so that we can process the debit payment.
- 4.3 You should check your account statement to verify that the amounts debited from your account are correct.
- 4.4 If we are liable to pay goods and services tax (“**GST**”) on a supply made in connection with this agreement, then you agree to pay us on demand an amount equal to the consideration payable for the supply multiplied by the prevailing GST rate.
- 5. Dispute**
- 5.1 If you believe that there has been an error in debiting your account, you should notify us directly on 1300 127 780 and confirm that notice in writing with us as soon as possible so that we can resolve your query more quickly. Alternatively, you can take it up with your financial institution directly.
- 5.2 If we conclude as a result of our investigations that your account has been incorrectly debited we will respond to your query by arranging for your financial institution to adjust your account (including interest and charges) accordingly. We will also notify you in writing of the amount by which your account has been adjusted.
- 5.3 If we conclude as a result of our investigations that your account has not been incorrectly debited we will respond to your query by providing you with reasons and any evidence for this finding in writing.
- 6. Accounts**
- 6.1 You should check:
- a) With your financial institution whether direct debiting is available from your account as direct debiting is not available on all accounts offered by financial institutions; and
  - b) Your account details which you have provided to us are correct by checking them against a recent account statement; and
  - c) With your financial institution before completing the direct debit request if you have any queries about how to complete the direct debit request.
- 7. Confidentiality**
- 7.1 We will keep any information (including your account details) in your direct debit request confidential. We will make reasonable efforts to keep any such information that we have about you secure and to ensure that any of our employees or agents who have access to information about you do not make any unauthorised use, modification, reproduction or disclosure of that information.
- 7.2 We will only disclose information that we have about you:
- a) To the extent specifically required by law; or
  - b) For the purposes of this agreement (including disclosing information in connection with any query or claim).
- 8. Notice**
- 8.1 If you wish to notify us in writing about anything relating to this agreement, you should write to:
- Mainstream Fund Services Pty Ltd  
GPO Box 4968  
Sydney NSW 2001**

- 8.2 We will notify you by sending a notice in the ordinary post to the address you have given us in the Direct Debit Request.
- 8.3 Any notice will be deemed to have been received on the third banking day after posting.