MAGELLAN
ASSET MANAGEMENT LIMITED

Annual Financial Report

30 June 2016

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED) (Managed Fund): ARSN 606 840 206

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

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MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Chairman's Report

for the period 14 July 2015 to 30 June 2016

Dear Unitholders,

We are pleased to present the annual financial report for Magellan Global Equities Fund (Currency Hedged) ("MHG" or the "Fund"). MHG is a managed investment scheme for which Magellan Asset Management Limited ("Magellan") acts as both Responsible Entity and Investment Manager.

MHG is quoted on the ASX (code: MHG) and commenced trading on 10 August 2015. As at 30 June 2016, MHG had net assets of $29 million and a net asset value of $2.3343 per unit.

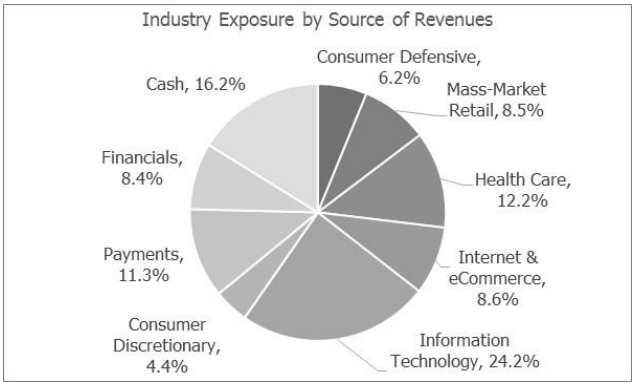
MHG's portfolio is actively managed by Magellan and is the currency hedged version of the Magellan Global Equities Fund (ASX code: MGE). Magellan aims to achieve attractive risk-adjusted returns over the medium to long term for unitholders, while reducing the risk of permanent capital loss. To achieve this, the Fund invests in a portfolio of between 20 and 40 high-quality global equity stocks and has the ability to manage equity market risk by holding up to 20% of its net assets in cash. Currency exposure is substantially hedged back to Australian Dollars.

Since inception in August 2015 to 30 June 2016, MHG returned -4.6% net of fees. Notwithstanding the current macroeconomic uncertainty challenging the short term, we believe the Fund is well positioned to benefit over the medium to long term from our key underlying investment themes: advancements in artificial intelligence, cloud computing and big data, global technology platforms, healthcare and ageing population dynamics and the move to a cashless society.

We would encourage you to read our Annual Investor Report, released on ASX on 1 August 2016, which provides a detailed overview of the portfolio and key events impacting short term performance, global macroeconomic commentary and updated investment views from MHG's portfolio manager, Hamish Douglass. The Annual Investor Report, along with monthly and quarterly Fund Reports, can also be found on our website: www.magellangroup.com.au.

As at 30 June 2016, the Fund consisted of investments in 24 companies, with the top 10 investments (listed below) representing 46.6% of the Fund. The Fund's cash position was 16.2%. The Fund's industry exposure by source of revenues is highlighted below.

Top 10 holdings (as at 30 June 2016)	% of Fund
Apple Inc	5.9
Microsoft Corp	5.5
Visa Inc	4.9
Yum! Brands Inc	4.7
Alphabet Inc	4.7
Oracle Corp	4.5
Lowe's Co Inc	4.4
Intel Corp	4.1
eBay Inc	4.0
CVS Health Corp	3.9
Top 10 Total	**46.6**



Magellan announced a distribution for the period ended 30 June 2016 for MHG of 5.0 cents per unit, which was paid on 29 July 2016. A distribution reinvestment plan is in operation, providing unitholders the ability to reinvest distributions free of brokerage fees.

The following report contains relevant financial statements and information which we encourage you to read carefully.

Brett Cairns
Executive Chairman

1 September 2016

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Responsible Entity's Report

for the period 14 July 2015 to 30 June 2016

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Magellan Global Equities Fund (Currency Hedged) (the "Fund" or "MHG") present its report on the Fund for the period ended 30 June 2016.

1.0 Directors

Unless otherwise stated, the following persons were Directors of Magellan Asset Management Limited during the period and up to the date of this report:

Name	Directorship	Appointed
Brett Cairns	Executive Chairman	22 Jan 2007
Hamish Douglass	CEO and Chief Investment Officer	21 Nov 2006
Robert Fraser	Non-Executive Director and Senior Independent Director	23 Apr 2014
Paul Lewis	Non-Executive Director	20 Dec 2006
Hamish McLennan	Non-Executive Director	1 Mar 2016
Karen Phin	Non-Executive Director	23 Apr 2014

1.1 Principal Activity

The Fund is a registered managed investment scheme domiciled in Australia and quoted on the Australian Securities Exchange (ASX) under the AQUA Rules (ticker code MHG). It was registered on 14 July 2015 and commenced trading on 10 August 2015.

MHG is a currency hedged version of the ASX quoted Magellan Global Equities Fund (ASX ticker code: MGE) and invests in a portfolio of between 20 and 40 high quality global equity stocks. It has the ability to manage equity market risk by holding up to 20% of its net assets in cash and currency exposure is substantially hedged to Australian dollars.

The Fund's investment objectives are to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy (as detailed in the current Product Disclosure Statement, issued 7 July 2016 and the Constitution).

MAM, as Responsible Entity, is responsible for overseeing the operations of the Fund. As the Investment Manager, it is responsible for selecting and managing the assets of the Fund. In addition, the Responsible Entity, on behalf of the Fund, may also provide trading liquidity to investors on the ASX under the AQUA Rules by acting as a buyer and seller of units in the Fund. The Responsible Entity has appointed an independent market participant to act as its agent to execute its market making activities.

The Fund's principal place of business is Level 36, 19 Martin Place, Sydney, New South Wales 2000 (previously Level 7, 1 Castlereagh Street, Sydney, New South Wales, 2000 until 27 June 2016).

1.2 Significant Changes in State of Affairs

There were no significant changes in the nature of the Fund's activities during the period.

1.3 Distribution

On 24 June 2016, the Directors declared a distribution of 5.0 cents per unit, amounting to $622,000, for the period ended 30 June 2016. The distribution was paid on 29 July 2016.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Responsible Entity's Report

for the period 14 July 2015 to 30 June 2016

1.4 Review of Financial Results and Operations

a) Financial Results for the Period

The performance of the Fund, as represented by the results of its operations for the period 14 July 2015 to 30 June 2016, was as follows:

	14 Jul 2015 to to 30 Jun 2016 $'000
Results	
Total net investment income/(loss)	(210)
Total expenses	319
Net operating profit/(loss)	(529)
Distributions	
Distribution paid and payable to unitholders for the year	622
Distribution - cents per unit	5.00
Indirect cost ratio - management fees[(A)]	1.23%
Redemption unit price as at 30 June	$2.3343

(A) the ratio of the Fund's actual management costs over the average gross assets attributable to unitholders from 10 August 2015, being the date the Fund commenced trading, to 30 June 2016. The annual base management fees are 1.35%.p.a.

The Indirect Cost Ratio (ICR) is the ratio of the Fund's management costs over the average gross assets attributable to unitholders expressed as a percentage. Management costs include management fees and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax. Management costs are accrued within the Fund's unit price on a daily basis.

b) Performance Returns

The performance returns shown in the table below are for the period ended 30 June 2016 since inception and have been calculated using the net asset value per unit for the Fund, which is after fees and expenses, assuming reinvestment of distributions. The returns are calculated daily, compounded monthly to produce longer period returns and are in accordance with the Financial Services Council Standard 6.00 Product Performance – Calculation of Returns.

	Inception to 30 Jun 2016 [(A)] %
Performance	
Growth return [(B)]	(6.6)
Distribution return [(C)]	2.0
Total return [(D)]	(4.6)

(A) The Fund commenced trading on 10 August 2015 ("inception"). As a result, performance was recorded for the period from inception date to 30 June 2016.

(B) The Growth return for the period since inception to 30 June 2016 is calculated as a percentage by dividing the end of period net asset value per unit by the net asset value per unit at inception minus 1.

(C) The Distribution return is calculated as a percentage by subtracting the Growth return from the Total return.

(D) The Total return for the period ended 30 June 2016 since inception is calculated as a percentage by dividing the end of period Net Asset Value per unit (cum-distribution) by the net asset value per unit at inception minus 1.

1.4 Review of Financial Results and Operations (continued)

b) Performance Returns (continued)

Performance fees are calculated on six monthly calculation periods ending on 30 June and 31 December of each calendar year. The Responsible Entity's entitlement to a performance fee is dependent on the Fund exceeding both index relative and absolute return hurdles over a given calculation period, as well as exceeding the applicable high watermark and an overall cap. Performance fees crystallise at the end of a calculation period, or from the commencement of the Fund to 30 June 2016 in the case of the first performance fee calculation period. Further details of the performance fees can be found in the Fund's Product Disclosure Statement which is available at www.magellangroup.com.au.

c) Strategy and Future Outlook

The Fund's investment objective is to achieve attractive risk-adjusted investment returns over the medium to long term, whilst reducing the risk of permanent capital loss. The Fund primarily invests in securities of companies listed on global stock exchanges. The Fund's portfolio will comprise 20 to 40 high quality global equity stocks but will also have some the ability to manage equity market risk by holding up to 20% of its net assets in cash. The Fund can use foreign exchange contracts to facilitate settlement of stock purchases and currency hedging. It is the Responsible Entity's intention to substantially hedge the capital component of the foreign currency exposure of the Fund arising from investments in overseas markets back to Australian Dollars.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Therefore, investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement of expected results of operations. The Fund provides a daily net asset value per unit, quarterly portfolio disclosure and six monthly investor reports which can be found in the Magellan Funds section of the Magellan Financial Group Limited website, www.magellangroup.com.au and also the ASX website. The Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with Fund outlook commentary.

1.5 Interest in the Fund

The movement in units on issue in the Fund for the period 14 July 2015 to 30 June 2016 is disclosed in note 7 a) to the financial statements.

As at 30 June 2016, the net assets attributable to unitholders of the Fund are $29,069,000.

1.6 Likely Developments and Expected Results of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the Product Disclosure Statement. The method of operating the Fund is not expected to change in the foreseeable future however the results of the Fund's operations may be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and past returns should not be used to predict future returns.

1.7 Events Subsequent to the End of the Period

In the latest release to the ASX on 2 August 2016, the Fund reported a net asset value per unit of $2.4504 and 12,909,236 units on issue as at 29 July 2016.

Other than the above and the payment of the distribution for the period ended 30 June 2016 (refer to section 1.3), there have been no matters or circumstances arising after the end of the period that have significantly affected, or may significantly affect, the Fund's operations in future financial years, the results of its operations, or the Fund's state of affairs in future financial years.

1.8 Indemnification and Insurance of Directors and Officers

The Directors and Officers of the Responsible Entity in office are insured to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in their capacity of Directors and Officers of the Responsible Entity, other than for conduct involving a wilful breach of duty in relation to the Responsible Entity.

During the period, Magellan Financial Group Limited paid, on behalf of the Responsible Entity, an insurance premium to insure the Directors and Officers of the Responsible Entity. The terms of the contract prohibit the disclosure of the premiums paid.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Responsible Entity's Report

for the period 14 July 2015 to 30 June 2016

1.9 Rounding of Amounts

The Fund is of a kind referred to in the *Australian Securities & Investments Commission's Corporations (Rounding in Financial/Responsible Entity's Reports) Instrument 2016/191* and consequently amounts in the Responsible Entity's Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

1.10 Environmental Regulation and Performance

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

1.11 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

This report is made in accordance with a resolution of the Directors of the Responsible Entity.



Brett Cairns
Executive Chairman

Sydney,
1 September 2016

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Auditor's Independence Declaration

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Auditor's independence declaration to the unitholders of Magellan Global Equities Fund (Currency Hedged)

As lead auditor for the audit of the Magellan Global Equities Fund (Currency Hedged) for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Rita Da Silva
Partner

1 September 2016

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MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Statement of Profit or Loss and Other Comprehensive Income

for the period 14 July 2015 to 30 June 2016

	Note	14 Jul 2015 to to 30 Jun 2016 (A) $'000
Investment income		
Dividend and distribution income		347
Interest income		50
Net change in fair value of investments held for trading		789
Net change in fair value of investments designated at fair value through profit or loss		(1,350)
Net foreign exchange gain on foreign currency cash and settlements		(46)
Total net investment income/(loss)		(210)
Expenses		
Management fees	9 c)(i)	262
Settlement processing fees		6
Brokerage costs		7
Withholding tax on dividends		44
Total expenses		319
Net operating profit/(loss)		(529)
Finance costs attributable to unitholders		
Distributions of income and capital to unitholders	2	(622)
Decrease in net assets attributable to unitholders	7 b)	1,151
Profit / (loss) for the period		-
Other comprehensive income for the period		-
Total comprehensive income for the period		-

(A) The Fund was registered on 14 July 2015 and commenced trading on 10 August 2015. The Fund's first reporting period covers 14 July 2015 to 30 June 2016 and as a result there are no prior period comparatives.

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Earnings per unit for the period ended 30 June 2016 is $nil. Refer to Note 1 p) for further details.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Statement of Financial Position

as at 30 June 2016

	Note	30 June 2016 [A] $'000
Assets		
Cash and cash equivalents	3	4,850
Receivables	4	64
Investments	5	24,810
Total assets		29,724
Liabilities		
Distribution payable	2	622
Payables	6	33
Total liabilities (excluding net assets attributable to unitholders)		655
Net assets attributable to unitholders	7 b)	29,069

[A] The Fund was registered on 14 July 2015 and commenced trading on 10 August 2015. The Fund's first reporting period covers 14 July 2015 to 30 June 2016 and as a result there are no prior period comparatives.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Statement of Changes in Equity

for the period ended 30 June 2016

Under Australian Accounting Standards, the net assets attributable to unit holders are classified as a liability. As a result the Fund has no equity for financial reporting purposes and there are no changes in equity at the start or end of the period.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Statement of Cash Flows

for the period 14 July 2015 to 30 June 2016

	Note	14 Jul 2015 to to 30 Jun 2016 $'000
Cash flows from operating activities		
Dividends and distributions received		341
Interest received		44
Management fees paid		(229)
Settlement processing fees paid		(7)
Withholding tax paid		(44)
Other expenses paid		(15)
Net cash inflows/(outflows) from operating activities	8 a)	90
Cash flows from investing activities		
Purchase of investments		(31,603)
Proceeds from sale of investments		5,879
Net foreign exchange gains/(losses)		305
Net cash inflows/(outflows) from investing activities		(25,419)
Cash flows from financing activities		
Receipts from issue of units	7	31,902
Payments for redemption of units	7	(1,723)
Net cash inflows/(outflows) from financing activities		30,179
Net increase/(decrease) in cash and cash equivalents		4,850
Cash and cash equivalents at the beginning of the period		-
Effect of exchange rate fluctuations on cash and cash equivalents		-
Cash and cash equivalents at the end of the period	3	4,850

(A) The Fund was registered on 14 July 2015 and commenced trading on 10 August 2015. The Fund's first reporting period covers 14 July 2015 to 30 June 2016 and as a result there are no prior period comparatives.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the period 14 July 2015 to 30 June 2016

1. Summary of Significant Accounting Policies

Magellan Global Equities Fund (Currency Hedged) ("the Fund") is a registered managed investment scheme under the *Corporations Act 2001* and was admitted to trading status on the ASX under the AQUA Rules. The Fund was registered on 14 July 2015 and in accordance with the Fund's Constitution, commenced on the date that the first unit was issued, which was 10 August 2015. The Fund terminates on the day immediately preceding the 80th anniversary of the date of commencement, unless terminated earlier in accordance with the Fund's Constitution.

Magellan Asset Management Limited (ABN 31 120 593 946) is the Responsible Entity of the Fund.

The financial report was authorised for issue by the Directors of the Responsible Entity on 1 September 2016. The Directors have the power to amend and reissue this financial report.

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of Preparation

The financial report is a general purpose financial report and prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, other mandatory professional reporting requirements and the Fund's Constitution. It is presented in Australian dollars.

The Fund is a for-profit unit trust for the purpose of preparing the financial report.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months in relation to these balances cannot be reliably determined.

As this annual financial report is the Fund's first annual financial report, there is no comparative financial information.

Compliance with IFRS

This financial report complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Changes in accounting policy, accounting standards and interpretations

The Australian and International Accounting Standards issued, but not yet mandatory, for the 30 June 2016 reporting period have not been adopted by the Fund in the preparation of this financial report. An assessment of the impact of the new standards and interpretations, which may have a material impact on the Fund, is set out below:

- **AASB 9: Financial Instruments (AASB 9), AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective 1 July 2018)**
  AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new requirements the four current categories of financial assets will be replaced with two measurement categories: fair value and amortised cost. Financial assets will only be measured at amortised cost where very specific conditions are met.

Notes to the Financial Statements

for the period 14 July 2015 to 30 June 2016

1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Changes in accounting policy, accounting standards and interpretations (continued)

- **AASB 9: Financial Instruments (AASB 9), AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective 1 July 2018) (continued)**
  AASB 9 was revised in December 2014 to include new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. It also introduced a new expected-loss impairment model that requires credit losses to be recognised when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

  At 30 June 2016, no material financial impact is expected on adoption of AASB 9 as the Fund currently classifies financial assets and financial liabilities at either fair value or amortised cost and the carrying value of investments measured at amortised cost approximates fair value. In addition the Fund does not apply hedge accounting. The Fund continues to evaluate the disclosure requirements of this standard.

- **AASB 15: Revenue from Contracts with Customers (effective 1 July 2018) (AASB 15)**
  AASB 15 supercedes the revenue recognition guidance in AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates. The core principle in AASB 15 is that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for selling goods or services to customers.

  The Fund has undertaken an assessment of the impact of AASB 15. Based on the assessment completed to date, the Fund does not expect any material change to the timing or manner of recognition of its key revenues as interest revenue, dividend and distribution income and investment gains are excluded from the scope of AASB 15. The Fund will continue to assess the disclosure requirements of AASB 15 so as to understand the extent of any impact on the current systems, processes and controls.

There are no other pronouncements or accounting standards, not yet effective at this time, that are expected to have a material impact to the financial statements in future reporting periods.

b) Foreign Currency Translation

The functional and presentation currency of the Fund is the Australian dollar, as determined in accordance with AASB 121: *The Effects of Changes in Foreign Exchange Rates*. Transactions denominated in foreign currencies are translated into Australian currency at the foreign currency exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign currency closing exchange rate at the reporting date.

Foreign currency exchange differences arising on translation, and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates at the dates that the values were determined. Foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in the Statement of Profit or Loss and Other Comprehensive Income.

c) Investment Income

Dividend/distribution income

Dividend and distribution income is recognised on the applicable ex-dividend/distribution date gross of withholding tax. Foreign dividends and trust distributions received are recognised net of withholding tax in the Statement of Cash Flows, with the foreign withholding tax recorded as an expense in the Statement of Profit or Loss and Other Comprehensive Income.

Net changes in fair value of investments

Realised and unrealised gains and losses on investments at fair value through profit or loss are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements

for the period 14 July 2015 to 30 June 2016

1. Summary of Significant Accounting Policies (continued)

c) Investment Income (continued)

Interest income
Interest income is recognised on an accrual basis using the effective interest rate method.

d) Expenses
All expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

Management and performance fees are set out in note 9. Settlement processing fees are paid to a third party market participant to facilitate settlement of MHG units issued and redeemed. The Responsible Entity appointed a market participant as its agent to execute its market making activities on behalf of the Fund in order to provide liquidity in MHG units on the ASX.

e) Distributions
The Fund has a contractual obligation under the Fund's Constitution to distribute all its distributable income to unitholders, by cash or reinvestment. Distributions are recognised as finance costs attributable to unitholders in the Statement of Profit or Loss and Other Comprehensive Income. A distribution payable is recognised in the Statement of Financial Position where the amount remains unpaid at reporting date.

f) Income Tax
Under current income tax legislation, the Fund is not subject to income tax provided the net taxable income of the Fund is fully distributed to unitholders.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised losses are not distributed to unitholders but are retained in the Fund to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to the unitholders.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of Profit or Loss and Other Comprehensive Income. The benefits of foreign withholding tax paid, and of imputation credits attaching to Australian franked dividends, are passed onto unitholders.

g) Goods and Services Tax (GST)
The GST incurred on the costs of various services provided to the Fund by third parties, such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55%-75% and is also eligible to recover GST on offshore transactions. Management fees, performance fees and other expenses have been recognised in the Statement of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position as a receivable or payable. Cash flows are included in the Statement of Cash Flows on a gross basis.

h) Cash and Cash Equivalents
Cash includes cash at bank and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

i) Receivables
Receivables comprise amounts due from brokers for sales of assets unsettled at the end of the reporting period, dividends and trust distributions declared but not yet received, and reclaimable taxes. They are recognised and carried at amortised cost using the effective interest rate method, which in the case of the Fund is cost and adjusted for changes in foreign exchange rates where applicable, less a provision for uncollectible amounts.

1. Summary of Significant Accounting Policies (continued)

j) Financial Assets and Liabilities
The Fund classifies its financial assets in one of the four following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. Designation is re-evaluated each financial period, but there are restrictions on reclassifying to other categories. Financial liabilities are classified as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost. The classification of financial assets and liabilities depends on the purpose for which the assets and liabilities are acquired.

The Fund's financial assets and liabilities are classified and measured as follows:

Financial asset/liability	Classification	Valuation basis	
Cash	Fair value through profit or loss	Fair value	Refer to Note 1 h)
Receivables	Loans and receivables	Amortised cost	Refer to Note 1 i)
Investments	Fair value through profit or loss	Fair value	Refer to Note 1 j)
Distribution payable	Financial liability at amortised cost	Amortised cost	Refer to Note 1 l)
Payables	Financial liability at amortised cost	Amortised cost	Refer to Note 1 l)

Financial assets and financial liabilities are derecognised when the Fund no longer controls the contractual rights that comprise the financial instrument which is normally the case when the instrument is sold.

Fair value through profit or loss
All equity securities are designated as fair value through profit or loss on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund (as set out in the Fund's Product Disclosure Statement and Constitution).

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Fund is the transaction price. Transaction costs are expensed immediately in the Statement of Profit or Loss and Other Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities classified at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The fair value of equity securities traded in active markets is based on their quoted market prices at the end of the reporting date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques. Valuation techniques used include recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flows techniques, option pricing models and other valuation techniques commonly used by market participants.

Financial liabilities, other than those at fair value through the Statement of Profit or Loss and Other Comprehensive Income, are measured at amortised cost using the effective interest rate.

k) Derivatives
Derivatives are contracts whose value is derived from one or more underlying price, index or other variable. Derivative instruments not designated in hedge accounting arrangements under AASB 139 and are recognised at fair value. Changes in the fair value are recorded in the Statement of Profit or Loss and Other Comprehensive Income and are included within 'net change in fair value of investments'. Derivatives are included in the Statement of Financial Position as a asset when the fair value at reporting date is positive and classified as a liability when the fair value at reporting date is negative.

l) Payables
Payables comprise trade creditors and accrued expenses owing by the Fund at reporting date which are unpaid. Trade creditors are unsecured and usually paid within 30 days of recognition. Payables are recognised at amortised cost at the point where the Fund becomes obliged to make payments in respect of the purchase of these goods and services.
Refer to note 1 e) for the distribution payable.

Notes to the Financial Statements

for the period 14 July 2015 to 30 June 2016

1. Summary of Significant Accounting Policies (continued)

m) Net Assets Attributable to Unitholders
The units issued by the Fund are classified as a liability in the Statement of Financial Position as the Fund's Constitution requires the net income of the Fund to be distributed to unitholders of the Fund. Changes in net assets attributable to unitholders are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs.

n) Applications and Redemptions
Applications received for units in the Fund are recorded net of entry fees. Redemptions from the Fund are recorded gross of exit fees. The Fund recognises the units issued or redeemed when settled, which is trade date.

o) Segment Information
An operating segment is a distinguishable component of the Fund that is engaged in business activity from which the Fund earns revenues and incurs expenses, whose operating results are regularly reviewed by the Fund's chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision maker has been determined as the Portfolio Manager, Mr Hamish Douglass.

p) Earnings Per Unit
The earnings per unit results in $nil as AASB 133 *Earnings per Share* refers to equity and the Fund has nil equity as the units issued by the Fund are classified as financial liabilities (refer to note 1 m)).

q) Offsetting Financial Instruments
Financial assets and financial liabilities are presented net in the Statement of Financial Position where the Fund has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

r) Rounding of Amounts
The Fund is of a kind referred to in the Australian Securities & Investments Commission's Corporations (Rounding in Financial/Responsible Entity's Reports) Instrument 2016/191 and amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, or in certain cases, the nearest dollar.

s) Critical Accounting Estimates and Judgements
The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at reporting date (refer to note 10 e)). Fair values may however move materially with movements in market prices. As the investments are valued with reference to the listed quoted prices and the Fund's cash is held with strongly rated financial institutions, the Fund's financial assets are not subject to significant judgement or complexity nor are the Fund's liabilities.

Notes to the Financial Statements

for the period 14 July 2015 to 30 June 2016

2. Distribution to Unitholders

On 24 June 2016, the Directors declared a distribution of 5.0 cents per unit, amounting to $622,000 (income distribution of $398,000 and return of capital of $224,000) for the period ended 30 June 2016. The distribution was paid on 29 July 2016.

a) Distribution Reinvestment Plan (DRP)
The Fund's DRP was available to eligible unitholders during the period ended 30 June 2016.

Under the terms of the DRP, eligible unitholders are able to elect to reinvest their distributions in additional MHG units, free of any brokerage or other transaction costs. Units are issued and/or transferred to DRP participants at a predetermined price, less any discount that the Directors may elect to apply from time to time. No discount has been applied to the units issued under the DRP in respect of the distribution paid on 29 July 2016. The DRP issue price is equal to the Operational Net Trust Value (as defined in the Constitution) divided by the number of units on issue on 15 July 2016, being 10 business days prior to the distribution payment date. The DRP issue price for the period ended 30 June 2016 was $2.4073, as announced on 18 July 2016 to the ASX.

3. Cash and Cash Equivalents

	30 June 2016 $'000
Cash and cash equivalents	
Cash at bank - denominated in A$	4,783
Cash at bank - denominated in US$	44
Cash at bank - denominated in British Pounds	9
Cash at bank - denominated in Euros	7
Cash at bank - denominated in Swiss francs	7
Total cash and cash equivalents	4,850

4. Receivables

	30 June 2016 $'000
Applications receivable	41
Recoverable GST and foreign withholding tax	17
Interest receivable	6
Total receivables	64

Notes to the Financial Statements

for the period 14 July 2015 to 30 June 2016

5. Investments

	30 June 2016 $'000
Financial assets designated at fair value through profit or loss	
Australian listed equity securities	618
International listed equity securities	
- United States	19,925
- United Kingdom	1,608
- Switzerland	1,327
- France	912
Total financial assets designated at fair value through profit or loss	24,390
Held for trading financial assets	
Derivatives	
Forward foreign currency contracts	420
Total held for trading financial assets	420
Total investments	24,810

The top 10 investments by domicile of primary stock exchange, held by the Fund are:

Company name	Domicile of Principal Exchange Listing	30 June 2016 $'000
Apple Inc	United States	1,730
Microsoft Corp	United States	1,601
Visa Inc	United States	1,417
Yum! Brands Inc	United States	1,379
Alphabet Inc	United States	1,356
Oracle Corp	United States	1,318
Lowe's Co Inc	United States	1,282
Intel Corp	United States	1,189
eBay Inc	United States	1,154
CVS Health Corp	United States	1,149
Total top 10 holdings		13,575
Other companies		10,815
Total investments		24,390

Fair Value Disclosures
An overview of the risk exposures and fair value measurement relating to investments held at fair value through the Statement of Profit or Loss and Other Comprehensive Income, is included in note 10.

6. Payables

	30 June 2016 $'000
Management fees payable	33
Total payables	33

Notes to the Financial Statements

for the period 14 July 2015 to 30 June 2016

7. Net Assets Attributable to Unitholders

	30 June 2016 No. of units '000
a) Units on issue	
Units on issue as at beginning of period	-
Units issued during the period	13,180
Units redeemed during the period	(727)
Units on issue at the end of the period	12,453

Terms and Conditions of Units

Each unit confers upon the unitholder an equal interest in the Fund, and is of equal value to other units in the Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Fund. The rights of unitholders are contained in the Fund's Constitution and include:

- the right to receive a share of any distribution determined by the Responsible Entity in proportion to the units held on the distribution date;
- the right to attend and vote at meetings of unitholders;
- the right to participate in the termination and winding up of the Fund; and
- the right to redeem units, subject to restrictions disclosed in the Fund's Product Disclosure Statement. Those restrictions may include where trading in units on the ASX are suspended for five consecutive business days. In this case, unitholders may apply to the Responsible Entity to make an off-market withdrawal of their investment from the Fund when the Fund is liquid. Where the Fund ceases to be liquid, units may only be withdrawn once an offer is made to all investors in the Fund in accordance with the Fund's Constitution.

  There may be other circumstances where off-market withdrawals from the Fund are suspended for up to 28 days, including where:

  a) it is impracticable for the Responsible Entity, or the Responsible Entity is unable, to calculate the net asset value of the Fund;
  b) the payment of withdrawal proceeds involves realising a significant portion of the Fund's assets which would, in the Responsible Entity's 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;
  c) the Responsible Entity reasonably considers it would be in the interests of investors, or it is otherwise permitted by law; or
  d) the Responsible Entity receives withdrawal requests of an aggregate value that in its reasonable estimate exceeds 5% of the Fund's assets.

	30 June 2016 $'000
b) Changes in net assets attributable to unitholders	
Opening balance	-
Applications	31,943
Redemptions	(1,723)
Decrease in net assets attributable to unitholders	(1,151)
Closing balance	29,069

Notes to the Financial Statements

for the period 14 July 2015 to 30 June 2016

8. Statement of Cash Flows Reconciliation

	30 June 2016 $'000
a) Reconciliation of net profit to net cash flows from operating activities	
Net operating profit/(loss)	(529)
Adjusted for:	
Net changes in fair value of held for trading investments	(789)
Net changes in fair value of investments designated at fair value through profit or loss	1,350
Net foreign exchange gain/(loss) on foreign currency cash and settlements	46
Changes in operating receivables and payables	
- Net (increase)/decrease in receivables	(21)
- Net increase/(decrease) in payables	33
Net cash flows from operating activities	90
b) Reconciliation of cash	
Reconciliation of cash at the end of the period (as shown in the Statement of Cash Flows) to the related item in the Statement of Financial Position:	
Cash and cash equivalents	4,850

9. Related Parties

a) Responsible Entity

The Responsible Entity of the Fund is Magellan Asset Management Limited ("MAM"). MAM is a wholly-owned subsidiary of Magellan Financial Group Limited (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity, and both are considered to be related parties of the Fund.

MAM also provides investment management services to the Fund.

b) Key Management Personnel

Key management personnel ("KMP") are those persons or corporate entities who have authority and responsibility for planning, directing and controlling the activities of the Fund. The Responsible Entity is responsible for managing the activities of the Fund and considered to be a KMP. The Fund does not employ personnel in its own right.

i) Directors

The Directors of MAM are KMP and unless otherwise stated during the period and up to the date of this report were:

Name	Directorship	Appointed
Brett Cairns	Executive Chairman	22 Jan 2007
Hamish Douglass	CEO and Chief Investment Officer	21 Nov 2006
Robert Fraser	Non-Executive Director and Senior Independent Director	23 Apr 2014
Paul Lewis	Non-Executive Director	20 Dec 2006
Hamish McLennan	Non-Executive Director	1 Mar 2016
Karen Phin	Non-Executive Director	23 Apr 2014

ii) Other Key Management Personnel

In addition to the Directors, the following employees of MAM also had authority for the strategic direction and management of the Fund, directly or indirectly, during the period ("Other KMP"):

Name	Position	Employer
Nerida Campbell	Chief Operating Officer	MAM
Frank Casarotti	Head of Distribution	MAM
Gerald Stack	Head of Investments	MAM
Kirsten Morton	Chief Financial Officer	MAM

9. Related Parties (continued)

b) Key Management Personnel (continued)

Remuneration of KMP
The KMP are not compensated by the Fund and no payments made by the Fund to MAM include any amounts directly attributable to the compensation of KMP.

AASB 124 *Related Party Disclosures* requires compensation provided by the Responsible Entity on behalf of the Fund to be disclosed. A portion of the compensation paid by MAM to each KMP relates to managing the affairs of the Fund, however MAM has not made any determination as to what proportion of the KMPs compensation relates to the Fund. MAM compensated the KMP the following amounts during the period:

	For the year ended 30 Jun 2016 $
Short-term benefits	
- salary	4,336,472
- cash bonus	3,992,887
Post-employment benefits	133,345
Long-term benefits	50,804
Other benefits	154,933
Total remuneration paid to KMP	8,668,441

c) Responsible Entity fees
Compensation is paid to the Responsible Entity in the form of fees as follows:

i) Management and Administration Fees
The Responsible Entity is entitled to receive management fees from the Fund. The Fund pays a management fee to the Responsible Entity for managing the assets of the Fund and overseeing the operations of the Fund. The management fee is 1.25% per annum of the value of the Fund, calculated daily. It also pays an administration fee of 0.10% to the Responsible Entity from which the operating expenses of the Fund, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs, are paid. Management fees are calculated daily based on the net asset value (before fees) of the Fund on that day and are payable at the end of the month.

The management fees paid/payable by the Fund during the period are set out below:

	For the period ended 30 Jun 2016 $'000
Management fees paid in the Statement of Profit or Loss and Other Comprehensive Income	262
Management fees payable in the Statement of Financial Position	33

The management fees paid/payable by the Fund during the period are net of any applicable reduced input tax credits. Refer to note 1 g) for further details.

ii) Performance Fees
Performance fees are calculated on six monthly calculation periods ending on 30 June and 31 December of each calendar year. The Responsible Entity's entitlement to a performance fee is dependent on the Fund exceeding both index relative and absolute return hurdles over a given calculation period, as well as exceeding the applicable high watermark and an overall cap. Performance fees crystallise at the end of a calculation period, or from the commencement of the Fund to 30 June 2016 in the case of the first performance fee calculation period. Further details of the performance fees can be found in the Fund's Product Disclosure Statement which is available at www.magellangroup.com.au.

9. Related Parties (continued)

c) Responsible Entity fees (continued)

ii) Performance Fees (continued)

There were no performance fees for the period ended 30 June 2016.

d) Transactions with Related Parties

The following transactions occurred with related parties:

	30 June 2016				
	Units acquired during the period	Units redeemed during the period	Units held at end of period		Distribution paid or payable
	Number	Number	Number	%	$
Magellan Financial Group Limited	6,000,000	-	6,000,000	48.2	300,000
Directors					
Brett Cairns	10,000	-	10,000	0.1	500
Hamish Douglass	500,000	-	500,000	4.0	25,000

No other KMP held any interest in the Fund during the period ended 30 June 2016.

10. Capital and Financial Risk Management

a) Financial Risk Management

The Fund's investment portfolio primarily comprises listed equity investments. The Fund's investment objective is to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy (as detailed in the current Product Disclosure Statement, issued 7 July 2016 and the Constitution). The Fund's investing activities expose it to various types of risks; market risks, credit risk and liquidity risk.

Financial risk management is carried out under policies approved by the Responsible Entity. The risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

The following disclosures in relation to the various risks of the Fund's portfolio have been based on the Fund's direct holdings.

b) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, foreign exchange rates, and interest rates.

Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The size and diversification of the portfolio is sufficient to ensure the Fund's returns are not overly correlated to a single company, industry specific or macroeconomic risk but the returns of the portfolio are not expected to be perfectly correlated to any market or sector index. If equity markets as a whole rise or fall by 5%, the return of the Fund may increase or decrease by different amounts.

10. Capital and Financial Risk Management (continued)

b) Market Risk (continued)

Equity Price Risk (continued)
An increase of 5% in the market prices of each of the Fund's investments held at the end of the period would have increased the net assets attributable to unitholders and the net operating profit, as follows:

	30 June 2016 $'000
Impact on the net assets attributable to unitholders and net operating profit	1,241

A decrease of 5% in the market prices of each of the Fund's investments would have had an equal but opposite effect on the net assets attributable to unitholders and net operating profit.

Currency Risk
Currency risk is the risk that the fair value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. Assets and liabilities that the Fund may typically own and that can be affected by foreign exchange rate fluctuations include equities listed on foreign exchanges, cash, forward foreign currency contracts, outstanding broker settlements, and outstanding receipts of income from foreign companies.

The Fund invests in financial assets denominated in currencies other than the Australian dollar, and is therefore exposed to the risk that the movement in the foreign exchange rates will cause fluctuations in profit or loss. The Fund uses forward foreign currency contracts to mitigate this risk by hedging the underlying exposure to financial assets denominated in currencies other than the Australian dollar.

Due to daily changes in the fair value of underlying assets, the face value of hedging contracts will not always completely eliminate currency exposure. The appropriateness of the amounts hedged is monitored daily and adjusted if the total net exposure of the Fund to any individual foreign currency is greater than 5% of the net assets of the respective Fund.

The Fund's total net exposure to fluctuations in foreign currency exchange rates at the Statement of Financial Position date is:

	30 June 2016 $'000
US Dollars	133
Euro	70
British Pounds	(79)
Swiss francs	54

The changes in net assets attributable to unitholders and profit or loss that would arise from a 5% increase or decrease in the Australian dollar relative to each currency to which the Fund is exposed (based on assets and liabilities), at 30 June 2016 are as follows:

	30 June 2016	
	5% increase A$'000	5% decrease A$'000
US Dollars	(4)	5
Euro	(3)	3
British Pounds	4	(5)
Swiss francs	(2)	2

10. Capital and Financial Risk Management (continued)

b) Market Risk (continued)

Interest Rate Risk
The primary exposure to interest rates arises on cash balances held by the Fund, which are all held in floating interest rate accounts. Based on the Australian dollar cash balances and US dollar cash balances held by the Fund at 30 June 2016, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would increase the annual interest income earned by the Fund as follows:

	30 June 2016 $'000
Australian dollar cash balances	5
US dollars cash balances	-

A decrease of 10 basis points in floating interest rates would have an equal but opposite effect on interest income earned. The level of cash held by the Fund may vary from time to time, depending on the level of recent capital flows into and out of the Fund, and on the Responsible Entity's judgement. The cash balances held by the Fund as at 30 June 2016 may therefore not be typical of the amounts of cash generally held by the Fund.

The Fund does not hold significant cash balances exposed to interest rates in other currencies and does not have any borrowings or other financial liabilities or assets with direct exposure to changes in interest rates.

Market Making Risk
The Responsible Entity, on behalf of the Fund, may provide liquidity to investors on the ASX by acting as a buyer and seller of MHG units. At the end of each Business Day, the Responsible Entity, on behalf of the Fund, may create or cancel units by applying for or redeeming its net position in units bought or sold on the ASX. The Responsible Entity has appointed an independent market participant to act as its agent to transact and facilitate settlement on its behalf.

Market making risk comprises:

i) the risk that the market making agent makes an error in executing the Fund's market making services. If the market making agent does not fulfil its settlement processing obligations in a correct and timely manner, the Fund could suffer a loss; and

ii) the risk of an error in the execution of market making activities, or in the price at which units are transacted on the ASX. As many overseas stock exchange markets in which the Fund invests are closed during the ASX trading day, it is not possible for the Responsible Entity to hedge the Fund's market making activities. This may result in either a cost or a benefit to the Fund.

In order to mitigate this risk, the Responsible Entity, on behalf of the Fund, has the discretion to increase the spread at which it makes a market and also has the right to cease making a market subject to its obligations under the AQUA Rules and ASX Operating Rules.

c) Liquidity Risk
Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities on the due date or will be forced to sell financial assets at a value which is less than they are worth.

This risk is managed by the Fund maintaining sufficient cash and cash equivalents to meet its normal operating requirements and primarily holds investments that are traded in an active market and can be readily disposed. The majority of the Fund's listed securities are considered readily realisable as they are listed on Stock Exchanges around the world.

10. Capital and Financial Risk Management (continued)

c) Liquidity Risk (continued)

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to suspend capital withdrawals from the Fund for up to 28 days if it is impracticable for the Responsible Entity or if the Responsible Entity is unable to calculate the net asset value of the Fund, the withdrawal request would reasonably require the Responsible Entity to sell 5% or more (by value of the net assets of the Fund), the payment of withdrawals would disadvantage remaining unitholders by imposing a disproportionate share of capital gains tax liabilities, or if the Responsible Entity reasonably considers it to be in the interests of remaining unitholders of the Fund.

At 30 June 2016, the Fund had an obligation to settle payables with cash and cash equivalents as set out in the table below:

	30 June 2016 $'000
Cash and cash equivalents	4,850
Liabilities	
Payables	33
Distribution payable	622

Maturities of Financial Liabilities
At 30 June 2016, the Fund's financial liabilities comprised payables which mature in 0 to 30 days (refer to note 6).

d) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities when valued at fair value.

The Fund minimises concentrations of credit risk by undertaking transactions with numerous reputable brokers, and by ensuring cash balances are held with and managed by counterparties that are reputable financial intermediaries with acceptable credit ratings determined by a recognised rating agency. In addition the credit rating and financial positions of the brokers used by the Fund are regularly monitored to mitigate this risk further. Credit risk relating to outstanding settlements is considered small due to the short settlement period involved.

The Responsible Entity has appointed The Northern Trust Company (NT) as the custodian of the Fund. In acting as custodian, NT is required to comply with the relevant provisions of the Corporations Act, applicable ASIC regulatory guides and class orders relating to registered managed investment scheme property arrangements with custodians.

The credit quality of NT's senior debt is rated, as at 30 June 2016, by Standard and Poors as A+ and by Moody's as A2 (A+ and A2 respectively at 30 June 2015). At 30 June 2016, the Fund's maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statement of Financial Position.

Ageing Analysis of Receivables
At 30 June 2016, the Fund's receivables were due within 0 to 30 days (refer to note 4). No amounts are impaired or past due at 30 June 2016.

e) Fair Value Disclosures

The Fund classifies the fair value measurements of financial assets and financial liabilities using the three level fair value hierarchy set out below to reflect the source of valuation inputs used when determining the fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing bid price for the security as quoted on the relevant exchange;
- Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices). The fair value of derivatives is based on a discounted cash flow analysis using quoted market inputs (spot and forward rates, volatility) adjusted for specific features of the instruments and applied debit and credit valuation adjustments based on the Fund's counterparties' current credit worthiness; and
- Level 3: valuation techniques using non-market observable inputs.

Notes to the Financial Statements

for the period 14 July 2015 to 30 June 2016

10. Capital and Financial Risk Management (continued)

e) Fair Value Disclosures (continued)

The following table presents the Fund's assets and liabilities measured and recognised at fair value:

	30 June 2016 $'000
Assets measured at fair value	
Level 1: Investments - valued using quoted price [(A)]	24,390
Level 2: Forward foreign currency contracts	420
Total financial assets	24,810

[(A)] All Australian and international equity securities held by the Fund are level 1 assets.

There have been no transfers between any of the three levels in the hierarchy during the period and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period. The Fund does not hold any level 3 assets.

11. Segment Information

The Fund's investments are managed on a single portfolio basis and in one business segment being equity investment, as well as in one geographic segment, Australia. The Fund continues to have foreign exposures as it invests in companies which operate internationally.

12. Auditor's Remuneration

During the period, the following amounts were paid or payable by the Responsible Entity on behalf of the Fund for services provided by the auditor of the Fund, Ernst & Young:

	30 June 2016 $
Audit services	
Statutory audit and review of financial report	37,500
Other audit services	3,000
Total remuneration of audit services	40,500
Non-audit services	
Tax compliance services	10,500
Total remuneration of non-audit services	10,500
Total auditor's remuneration	51,000

13. Contingent Assets, Contingent Liabilities and Commitments

The Fund has no contingent assets, contingent liabilities or commitments at 30 June 2016.

14. Events Subsequent to the End of the Period

In the latest release to the ASX on 2 August 2016, the Fund reported a net asset value per unit of $2.4504 and 12,909,236 units on issue as at 29 July 2016.

Other than the above and the payment of the distribution for the period ended 30 June 2016 (refer to note 2), the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Fund's operations, the results of those operations or the Fund's state of affairs in future years.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Directors' Declaration

for the period ended 30 June 2016

In the opinion of the Directors,

a) the financial statements and notes of Magellan Global Equities Fund (Currency Hedged) (the Fund) as set out on pages 9 to 27 are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position of the Fund as at 30 June 2016 and of its performance as represented by the results of its operations and cash flows for the period ended on that date; and

   ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

c) note 1(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the period ended 30 June 2016.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.



Brett Cairns
Executive Chairman

1 September 2016

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Independent Auditor's Report

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Independent auditor's report to the unitholders of Magellan Global Equities Fund (Currency Hedged)

We have audited the accompanying financial report of Magellan Global Equities Fund (Currency Hedged) ("the Fund"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Independent Auditor's Report

Opinion

In our opinion:

a. the financial report of Magellan Global Equities Fund (Currency Hedged) is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Ernst & Young

Rita Da Silva
Partner
Sydney

1 September 2016

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Unitholder Information

As at 30 August 2016

Distribution of Unitholders
The distribution of unitholders of the Fund as at 30 August 2016 is presented below:

Distribution of holdings	Number of unit holders	Number of units	Percentage of units on issue %
1-1,000	10	4,089	0.03
1,001-5,000	71	229,304	1.75
5,001-10,000	68	536,172	4.09
10,001-100,000	159	4,142,255	31.56
100,001 and over	7	8,211,956	62.57
Total	**315**	**13,123,776**	100.00
Number of holders with less than a marketable parcel of units	3	151	

Twenty Largest Unitholders
The names of the 20 largest unitholders in the Fund as at 30 August 2016 are listed below.

Holder name	Number of units	Percentage of units on issue %
Merrill Lynch (Australia) Nominees Pty Limited	6,124,621	46.67
Mr William Andrew McGowan	1,000,000	7.62
Midas Touch Investments Pty Ltd	510,385	3.89
IOOF Investment Management Limited	210,770	1.61
Town Inns (Holdings) Pty Ltd	150,000	1.14
HSBC Custody Nominees (Australia) Limited	114,780	0.87
Invia Custodian Pty Limited	101,400	0.77
Pershing Australia Nominees Pty Ltd	99,000	0.75
Bond Street Custodians Limited	92,000	0.70
Grace Spyrou Super Pty Ltd	86,600	0.66
ITI Nominees Pty Ltd	83,700	0.64
Dr Harry Merkur & Mrs Bronwyn Narelle Merkur	83,682	0.64
RB Chard Super Pty Ltd	82,905	0.63
Mintlaw Park Pty Ltd	81,543	0.62
Netwealth Investments Limited	77,565	0.59
Broadway (NSW) Pty Ltd	76,000	0.58
Jackwin Pty Ltd	64,969	0.50
Mforphy Pty Ltd	61,200	0.47
HSBC Custody Nominees (Australia) Limited - A/C 2	60,850	0.46
Ms Donna Sheppard	58,823	0.45
Total units held by the 20 largest unitholders	9,220,793	70.26
Total units on issue	**13,123,776**	

Units
All issued units carry one vote per unit and the right to distributions.

Stock Exchange Listing
The Fund's ASX code is "MHG" for its units.

MAGELLAN GLOBAL EQUITIES FUND (CURRENCY HEDGED)

Corporate Information

Directors of the Responsible Entity
Brett Cairns (Chairman)
Hamish Douglass
Robert Fraser
Paul Lewis
Hamish McLennan
Karen Phin

Company Secretary of the Responsible Entity
Geoffrey Stirton

Registered Office
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Auditor and Taxation Adviser
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Sydney NSW 2000

Unit Registrar
LINK Market Services Limited
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Telephone: 1300 554 474
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