



Company/ASX Code	Magellan Financial Group
AGM date	Thursday 24 October 2019
Time and location	10AM MLC Centre, 36/19 Martin Place, Sydney NSW
Registry	Boardroom Pty Limited
Webcast	No
Poll or show of hands	Poll on all items
Monitor	Elizabeth Fish assisted by Helen Manning
Pre AGM Meeting?	Yes with Hamish Douglass, Chief Investment Officer and Chair

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Magellan's FUM (funds under management) had a huge increase in the last five years from \$36,381m at the end of 2015 to \$86,718m at June 2019. During this period, the share of retail funds managed grew from \$9,809m to \$23,216m and Institutional funds grew from \$26,572m to \$63,502m. The FUM increased in FY19 (Financial Year 2019) by \$17.2 billion due to the increasing value of the investments themselves and net inflows of \$4.4 billion which included additional funds from new products; the Sustainable Fund, the High Conviction Fund and the Airlie Australian Share Fund. Due to the rise in the FUM, Magellan achieved a 22% increase of management and service fees to \$472.5m and a statutory profit after tax of \$376.9m, an increase of 78% over FY18.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	377	212	196	198	174
UPAT (\$m)	364.2	268.9	n/a	n/a	n/a
Share price (\$)	51.00	23.3	28.84	22.25	17.40
Dividend (cents)	185.2	134.5	85.6	89.3	74.9
TSR (%)	126.8	-14.6	33.5	33.0	66.0
EPS (cents)	213.1	122.0	114.1	115.5	101.8
CEO total remuneration, actual (\$m)	1.5	4.384	2.976	1.930	2.582

For 2019, the CEO's total actual remuneration was 17 times the Australian Full Time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

The CEO remuneration figure is significantly reduced to previous years as a result of the swapping of the Chair/CEO roles of Dr Brett Cairns and Hamish Douglass as announced at the FY18 AGM. Dr Cairns, former Executive Chair, was appointed CEO in October 2018 and Hamish Douglass, former CEO, was appointed Chair while retaining his role as CIO for the fund. As a result of Dr Cairns' appointment to the role of CEO, the Board determined it appropriate to review his remuneration structure, announcing the terms of a revised employment agreement 15 July 2019. The terms included an annual increase of \$45,000 and an entitlement to receive variable remuneration of up to 50% of his fixed remuneration (FR) on attainment of specific performance metrics. Further, and subject to shareholder approval, eligibility to participate in the Share Purchase Plan (SPP) offer of \$5m, with tenure of 10 years. Also subject to shareholder approval, that 100% financial assistance to be provided to Dr Cairns by Magellan on full-recourse and interest-free basis. That 100% of his variable remuneration (less tax) be directed to repay the financial assistance and that all dividends earned on SPP shares are directed to repayment of the SPP financial assistance. This information is relative to resolutions 4 (a) and (b) in the Notice of Meeting (NOM).

As a result of the changeover, Mr Douglass' remuneration remains unchanged. In FY19 Dr Cairns had only a FR component of \$1.5m (i.e. no variable incentives). However, as mentioned, he is eligible to participate in the Group's Share Purchase Plan (SPP).

There were no additional acquisitions, restructures or buybacks in FY19, but on 13 August 2019 Magellan announced the initial public offering (IPO) of the Magellan High Conviction Trust, which aims to invest in the best eight to 12 best ideas. To fund the costs, Magellan raised \$275m from institutional investors at \$55.20 per share through the issue of 4.98m shares.

In the 2019 financial year, the Board reviewed the measurable objectives it has set to achieve improvement in the diversity of employees. These objectives for female representation are 33% for independent directors (now at 20%), 40% for senior management (classified by Magellan as direct reports to the CEO or Chair now at 36%) and 40% for the overall Group (now at 42%).

At the pre-AGM meeting, we asked Mr Douglass how the Haynes Royal Commission had impacted Magellan. He responded mainly from an industry-wide perspective, saying the royal commission was disaggregating at the advisor level, and that advisors formed a big part of his client base. He saw the problems highlighted as being rife in the industry. When we said we had been told that the review had caused problems for advisors, his response was that Magellan did not get involved with payments to advisors.

We commented on the philosophy Magellan maintains in not offering share options to employees as part of salary packages and asked why he believed this is the best approach, as many organisations claimed share options would encourage staff alignment with shareholder interests. Mr Douglass said that he believed share options had no risk on the downside, as they had not cost the employee. He thought the optional staff purchase plan more of an incentive to employees than making share ownership mandatory as an option plan would.

Sadly, there will be no more Magellan at the cricket, Mr Douglass confirmed, reflecting withdrawal from the partnership with Cricket Australia in March 2018.

Item 2	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The remuneration report is clear and easy to understand. On the whole, salaries are not excessive when compared to similar organisations. There are no performance rights or options on offer. All payments are made as cash.

The key management personnel (KMP) take home pay is disclosed in table 3.4 of the remuneration report. The table includes some non-cash amounts for accrued entitlements as well as the deemed interest expense of providing loans to participants in the staff purchase plan, these amounts are easy to eliminate.

Magellan does not offer specific long-term and short-term incentives, instead KMP, with the exception of the CEO, Head of Investments and certain other executives, are awarded variable remuneration. The amount payable is determined by reference to an employee's individual performance and contribution, as well as the overall contribution of the group. The variable component may be in the range of 0 to 100% of FR. In some cases, the variable component exceeds FR. The CEO did not have variable component as part of his remuneration in 2019. The Head of Investments' variable remuneration component is directly tied to the net revenues of the Group's Global Listed Infrastructure business and the performance of the investment strategies for which he has primary responsibility. We note that in 2019 his variable component available was 200% of FR and that his achievements resulted in 100% of that amount being awarded. Other KMP achieved between 80 and 95% of the available incentive payment.

The longest period of measurement shown in the summary of remuneration outcomes, is three years, applying only to two of the five KMP, the remaining KMP's seem only to be measured on current performance, and specific performance criteria that could appear to be requirements of the position. The variable remuneration awarded is paid partially as a cash bonus after the release of the Group's annual report. The cash bonus comprises the first \$60,000 plus 55% of the residual, the remaining amount being paid in 36 monthly instalments in the three years following the initial grant. The monthly instalments cease should the employee leave the company.

In FY19 the CEO was paid only his FR, there was no opportunity for variable remuneration.

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.5	100%	1.5	100%
STI – Cash	-	-	-	-
STI – Equity	-	-	-	-
LTI	-	-	-	-
Total	1.5	100.0%	1.5	100%

The non-executive director (NED) board member fee is \$70,000. Audit and Risk Sub-committee Chair \$25,000 and member \$10,000. The Chair does not get paid a fee as he is also an executive. All NED fees will increase by 3% p.a. from July 2019. Fees were last increased in July 2014. KMPs FR also increased by 3%.

Item 3 (a)	Re-election of Hamish Douglass as a Director
ASA Vote	For

Summary of ASA Position Mr Douglass is the Co-Founder, Chair and CIO of Magellan Financial Group Limited, and Lead Portfolio Manager of Magellan’s Global Equity strategies.

Mr Douglass was originally appointed to the Board on 21 November 2006 and was Chief Executive Officer of Magellan Financial Group Limited until 4 October 2018. He is also a director of the Victor Chang Cardiac Institute. Mr Douglass has extensive investment experience, detail of which is well laid out in the Notice of Meeting. He holds a Bachelor of Commerce degree from the University of New South Wales. Due to his thirteen year tenure on the board and the fact that he holds an executive position the ASA considers that he is not independent. However, the majority of the other six board members have much shorter tenure, and only one, the CEO, holds an executive position. As Mr Douglass holds 12% of the Magellan shares on issue, we cannot doubt his skin in the game qualifications. Therefore, the ASA will support Mr Douglass’s re-election. We hope he will speak to the meeting.

Item 3 (b)	Re-election of Hamish McLennan
ASA Vote	For

Summary of ASA Position

Mr McLennan was first elected to the board in October 2016. He is a member of the Audit and Risk Committee and the Remuneration and Nominations committee and was appointed Deputy Chair of the company in June 2019. He holds two other Chair positions, with REA Group Limited and HT&E Limited. Mr McLennan’s extensive business and media experience is well laid out in the notice of meeting.

At the pre-AGM meeting we asked if the Chair was confident that Mr McLennan would have sufficient time to handle his commitments to the three boards and his response was that as Magellan only had six board meetings a year he was sure of Mr McLennan’s capacity to handle his work load. He added that Mr McLennan’s broad media experience is important to the Board’s existing skills and expertise. Mr McLennan holds 100,248 Magellan shares and participates in the share purchase plan to the tune of \$779,054; 63948 shares being purchased in 2017 for \$999,987.

The ASA will support Mr McLennan’s re-election and hope he will speak to the meeting.

Item 4 (a)	Issuance of SPP Shares to Director and CEO, Dr Brett Cairns.
ASA Vote	For

The Board has invited Dr Cairns to participate in the Company's SPP via a one-offer of fully paid ordinary shares in the Company in the amount of \$5m. Details relating to this loan are shown on page 4 of the notice of meeting. In summary: the loan is full recourse and interest free; the loan must be repaid by the 10th anniversary of the loan or earlier if he is to leaves the company. A holding lock is placed on the SPP shares until the loan is repaid and 100% of Dr Cairns' variable remuneration (after tax), as well as dividends paid on the shares will be applied against the loan. The number of shares issued will be calculated using the VWAP (volume weighted average price) of traded shares in the Company over the five business days prior to the offer date in July 2019. The ASA understands that the loan is a component of a revised remuneration structure offered to Dr Cairns and announced to the market on 15th July 2019. Given that the loan is full recourse and there is a holding lock on the associated shares until the loan is repaid, we will support this resolution.

Item 4 (b)	Approval of Related Party Benefit to Dr Cairns
ASA Vote	For

Summary of ASA Position

Given that the ASA has given approval to item 4 (a) we will support this resolution.

The individuals involved in the preparation of this voting intention have a shareholding in this company.

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