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ANNUAL FINANCIAL REPORTS

FOR THE YEAR ENDED 30 JUNE 2018

MAGELLAN GLOBAL FUND: ABN 18 387 878 844
MAGELLAN GLOBAL FUND (HEDGED): ABN 72 263 210 345
MAGELLAN INFRASTRUCTURE FUND: ABN 64 144 747 279
MAGELLAN INFRASTRUCTURE FUND (UNHEDGED): ABN 79 874 701 620

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Responsible Entity's Report

for the year ended 30 June 2018

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The Directors of Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946), the Responsible Entity of Magellan Global Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds") present their report on the Funds for the year ended 30 June 2018.

1.0 Directors

The following persons were Directors of MAM during the year and up to the date of this report:

Name	Directorship	Appointed
Brett Cairns	Executive Chairman	22 Jan 2007
Hamish Douglass	Chief Executive Officer	21 Nov 2006
John Eales	Non-executive Director	1 July 2017
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 Funds are registered managed investment schemes domiciled in Australia, with a principal place of business at Level 36, 19 Martin Place, Sydney, New South Wales 2000.

Magellan Global Fund ("MGF") invests in a portfolio of between 20 and 40 high quality stocks, listed on a global stock exchange, in companies that have sustainable competitive advantages which translate into returns on capital in excess of their cost of capital for a sustained period of time. MGF invests in a concentrated portfolio of global equities which spans sectors including financial services, consumer and retail, health care, telecommunications, technology platforms, software and internet related products and services. Such a portfolio will achieve sufficient diversification to ensure MGF is not overly correlated to a single company or to macroeconomic risks. MGF aims 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 Product Disclosure Statement, issued 28 September 2017). The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially unhedged.

Magellan Global Fund (Hedged) ("MGFH") has the same investment strategy as MGF, except that the capital component of the foreign currency exposure, arising from investment in overseas markets, is substantially hedged (as detailed in the Product Disclosure Statement, issued 28 September 2017).

Magellan Infrastructure Fund ("MIF") invests in a portfolio of between 20 and 40 high quality stocks listed on a global stock exchange whose primary business is the ownership and operation of infrastructure assets, which spans sectors including roads and airports, water and sewage, energy and communications infrastructure. Such a portfolio will achieve sufficient diversification to ensure MIF is not overly correlated to a single company or to macroeconomic risks. MIF aims 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 Product Disclosure Statement, issued 28 September 2017). The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially hedged.

Magellan Infrastructure Fund (Unhedged) ("MIFU") has the same investment strategy as MIF, except that the capital component of the foreign currency exposure, arising from investment in overseas markets, is substantially unhedged (as detailed in the Product Disclosure Statement, issued 28 September 2017).

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Responsible Entity's Report

for the year ended 30 June 2018

1.2 Significant Changes In State Of Affairs

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") regime applying to Managed Investment Trusts was introduced under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Funds' Constitutions have been amended to change the obligation to distribute trust income to unitholders, for accounting purposes, effective 30 June 2018 as part of a process to become eligible to elect into the new AMIT regime.

There were no other significant changes in the state of affairs of the Funds during the year.

1.3 Review Of Operations

a) Financial Results For The Year

The performance of the Funds, as represented by the results of their operations for the years ended 30 June, was as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Results								
Total net investment income ($'000)	1,640,704	1,340,211	61,399	73,731	118,154	122,658	68,661	42,894
Total expenses ($'000)	167,382	146,917	7,974	7,066	24,340	18,027	12,256	8,867
Net Operating Profit/(Loss) ($'000)	1,473,322	1,193,294	53,425	66,665	93,814	104,631	56,405	34,027
Distributions								
Distribution paid and payable to unitholders ($'000)	710,350	224,295	29,630	8,931	64,310	113,724	18,437	14,999
Distribution paid and payable (cents per unit) (refer (i) on following page for components)	16.1456	4.8578	10.0066	3.0000	5.3662	11.2777	4.7000	4.0822
Unit Price								
Unit price (net asset value) (ex-distribution) ($)	2.1032	1.9373	1.5212	1.4332	1.2622	1.2312	1.7216	1.6208
Redemption Unit Price (ex-distribution) ($)	2.1011	1.9354	1.5197	1.4318	1.2603	1.2294	1.7190	1.6184
Indirect Cost Ratio								
Management and administration fee (%)	1.35	1.35	1.35	1.35	1.06	1.05	1.06	1.05
Performance fee (%)	0.20	0.13	0.16	0.27	0.26	0.10	0.48	0.18
Total Indirect Cost Ratio (%)	1.55	1.48	1.51	1.62	1.32	1.15	1.54	1.23

The Total Indirect Cost Ratio ("ICR") is the ratio of the Funds' management costs over their average portfolio value, attributable to unitholders, expressed as a percentage, for the year ended 30 June. Management costs, accrued within the Funds' unit prices on a daily basis, include management, administration and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

Responsible Entity's Report

for the year ended 30 June 2018

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1.3 Review Of Operations (continued)

a) Financial Results For The Year (continued)

(i) Distribution components for interim and final distributions for the years ended 30 June, which can be found in the Magellan Funds' section of the Magellan Financial Group Limited website, www.magellangroup.com.au are below:

	Magellan Global Fund cents per unit		Magellan Global Fund (Hedged) cents per unit		Magellan Infrastructure Fund cents per unit				Magellan Infrastructure Fund (Unhedged) cents per unit			
	30 Jun 2018 Final	30 Jun 2017 Final	30 Jun 2018 Final	30 Jun 2017 Final	31 Dec 2017 Interim	30 Jun 2018 Final	31 Dec 2016 Interim	30 Jun 2017 Final	31 Dec 2017 Interim	30 Jun 2018 Final	31 Dec 2016 Interim	30 Jun 2017 Final
Domestic Income												
Interest	0.0013	-	0.1583	0.0856	0.0601	0.2087	-	0.2062	0.0371	0.1398	0.0796	0.1116
Franked dividends	-	-	0.0014	0.0105	0.0125	0.0434	-	0.0524	0.0148	0.0420	0.0207	0.0406
Unfranked dividends	-	-	-	-	0.0233	0.0808	-	0.0601	0.0250	0.0777	0.0143	0.0662
Other income	0.0014	-	0.0035	0.0099	0.0850	0.2951	-	-	0.0179	-	0.0061	0.0274
Foreign Sourced Income	0.9640	-	3.4784	1.1280	0.5135	1.7828	1.0500	5.4151	0.4982	1.7703	0.6413	1.5514
Capital Gains (NTARP)												
Discounted	7.5979	2.3412	3.1825	0.2036	0.2225	0.7726	-	2.0731	-	0.3919	-	0.5371
Other capital gains distribution (CGT concession)	7.5810	2.5166	3.1825	0.2036	0.2225	0.7726	-	2.0737	-	0.3919	-	0.5371
Other non-attributable amounts (tax deferred amounts)	-	-		1.3588	0.0606	0.2102	-	0.3471	1.0070	0.2864	0.2380	0.2108
Total Distribution	16.1456	4.8578	10.0066	3.0000	1.2000	4.1662	1.0500	10.2277	1.6000	3.1000	1.0000	3.0822
Non-Cash Distribution Components												
Franking credits	-	-	-	0.0126	0.0081	0.0281	-	0.0351	0.0181	0.0300	0.0174	0.0278
Foreign income tax offsets	0.4270	-	0.3113	0.2929	0.0868	0.3015	-	0.3942	0.1609	0.3648	0.1075	0.3957
Total Non-Cash Distribution Components	0.4270	-	0.3113	0.3055	0.0949	0.3296	-	0.4294	0.1790	0.3948	0.1249	0.4235
Gross Distribution	16.5726	4.8578	10.3179	3.3055	1.2949	4.4958	1.0500	10.6571	1.7790	3.4948	1.1249	3.4957

Responsible Entity's Report

for the year ended 30 June 2018

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1.3 Review Of Operations (continued)

a) Financial Results For The Year (continued)

The performance returns for the 12 months ended 30 June shown in the table below have been calculated using redemption unit prices for the Funds, which are after fees and expenses, assuming reinvestment of distributions at net asset value. The returns are calculated daily, compounded to produce longer period returns.

	Global Fund		Global Fund (Hedged)		Infrastructure Fund		Infrastructure Fund (Unhedged)	
	30 June 2018 %	30 June 2017 %	30 June 2018 %	30 June 2017 %	30 June 2018 %	30 June 2017 %	30 June 2018 %	30 June 2017 %
Performance								
Growth return [(A)]	8.6	12.5	6.1	17.3	2.5	(0.6)	6.2	2.6
Distribution return [(B)]	8.3	2.8	7.0	2.5	4.4	9.2	3.0	2.6
Total Return [(C)]	16.9	15.3	13.1	19.8	6.9	8.6	9.2	5.2

(A) The Growth return is calculated daily as a percentage by dividing the unit price (ex-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Growth returns are then compounded to produce longer period returns.

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

(C) The Total return is calculated daily as a percentage by dividing the unit price (cum-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Total returns are then compounded to produce longer period returns.

b) Strategy And Future Outlook

The Funds provide daily unit prices, monthly fund updates and annual investor reports which can be found in the Magellan Funds section of the Magellan Financial Group Limited website, www.magellangroup.com.au. These fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

Responsible Entity's Report

for the year ended 30 June 2018

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1.4 Interest In The Funds

As at reporting date, the unitholders' equity (net assets attributable to unitholders at 30 June 2017) of each Fund was as follows:

	Global Fund		Global Fund (Hedged)		Infrastructure Fund		Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Unitholders' Equity	9,247,330	-	450,168	-	1,521,884	-	673,777	-
Net Assets Attributable To Unitholders - Liability	-	8,944,954	-	426,666	-	1,247,606	-	597,430

Note: Unitholders' Equity was classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 m) to the financial statements for further detail.

During the year ended 30 June 2018, the units were reclassified from financial liability to equity as a result of the Funds' adoption of AMIT on 30 June 2018. The movement in units on issue in the Funds during the year ended 30 June 2018 is disclosed in Note 7 a) to the financial statements.

1.5 Likely Developments And Expected Results Of Operations

The Funds will continue to invest in companies and businesses in accordance with the investment strategies as detailed in their Product Disclosure Statements. Additional comments on the expected results of operations of the Funds are included in this report in Section 1.3 under the Review of Operations. The methods of operating the Funds are not expected to change in the foreseeable future, however the results of the Funds' operations may be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and past returns should not be used to predict future returns.

1.6 Events Subsequent To The End Of The Year

There have been no matters or circumstances arising after the end of the year that have significantly affected, or may significantly affect, the Funds' operations, the results of those operations, or the Funds' state of affairs in future financial years.

1.7 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 year, 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.

1.8 Rounding Of Amounts

The Funds are of a kind referred to in the *Australian Securities & Investments Commission's Corporations (Rounding in Financial/Directors' 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.

Responsible Entity's Report

for the year ended 30 June 2018

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1.9 Auditor

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

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

Brett Cairns
Executive Chairman

Sydney, 3 September 2018

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Auditor's independence declaration to the Directors of Magellan Asset Management Limited as the Responsible Entity of Magellan Global Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged), (the "Funds")

As lead auditor for the audit of the Funds for the financial year ended 30 June 2018, 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

Ernst & Young

Rita Da Silva
Partner
3 September 2018

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Statements Of Profit Or Loss And Other Comprehensive Income

for the year ended 30 June 2018

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	Note	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Investment Income									
Dividend and distribution income		136,264	142,898	6,668	6,371	48,773	44,481	21,511	20,770
Interest income		11,680	2,788	736	720	1,843	1,378	523	97
Net change in fair value of investments									
- held for trading		-	-	(14,581)	11,188	(32,625)	28,897	(6)	6
- designated at fair value through profit or loss		1,431,154	1,226,814	68,706	55,363	100,073	48,828	44,381	22,935
Net gains/(losses) on foreign exchange settlements, derivative contracts and cash		61,236	(32,290)	(147)	89	20	(964)	2,249	(931)
Other income		370	1	17	-	70	38	3	17
Total Net Investment Income		1,640,704	1,340,211	61,399	73,731	118,154	122,658	68,661	42,894
Expenses									
Management and administration fees	9 c)	128,077	115,056	6,233	5,110	15,388	12,470	6,881	5,757
Performance fees	9 c)	18,861	11,516	758	1,042	3,747	1,171	3,091	964
Transaction costs		633	647	36	34	191	225	70	107
Withholding tax on dividends		19,811	19,698	947	880	5,014	4,161	2,214	2,039
Total Expenses		167,382	146,917	7,974	7,066	24,340	18,027	12,256	8,867
Net Operating Profit/(Loss)		1,473,322	1,193,294	53,425	66,665	93,814	104,631	56,405	34,027
Finance Costs Attributable To Unitholders									
Distributions of income and capital to unitholders	2	(710,350)	(224,295)	(29,630)	(8,931)	(64,310)	(113,724)	(18,437)	(14,999)
(Increase)/decrease in net assets attributable to unitholders	7 b)	(762,972)	(968,999)	(23,795)	(57,734)	(29,504)	9,093	(37,968)	(19,028)
Profit/(Loss) For The Year		-	-	-	-	-	-	-	-
Other comprehensive income for the year		-	-	-	-	-	-	-	-
Total Comprehensive Income For The Year		-	-	-	-	-	-	-	-

The above Statements Of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

Statements Of Financial Position

as at 30 June 2018

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	Note	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Assets									
Cash and cash equivalents	3	1,819,756	1,372,498	88,978	66,369	145,254	114,379	59,706	51,300
Receivables	4	21,277	23,010	1,760	1,061	12,937	25,153	5,246	10,980
Derivative assets	5 b)	-	-	-	11,523	-	18,123	-	6
Investments	5 a)	8,154,527	7,804,373	404,343	358,914	1,446,572	1,212,509	623,744	555,953
Total Assets		9,995,560	9,199,881	495,081	437,867	1,604,763	1,370,164	688,696	618,239
Liabilities									
Derivative liabilities	5 b)	-	-	13,525	-	29,308	-	-	-
Payables	6	37,880	30,632	1,758	2,270	3,241	18,839	2,764	9,439
Distributions payable		710,350	224,295	29,630	8,931	50,330	103,719	12,155	11,370
Total Liabilities		748,230	254,927	44,913	11,201	82,879	122,558	14,919	20,809
Net Assets Attributable To Unitholders - Liability (A)	7 b)	-	8,944,954	-	426,666	-	1,247,606	-	597,430
Total Unitholders' Equity (A)	7 b)	9,247,330	-	450,168	-	1,521,884	-	673,777	-

(A) Effective 30 June 2018, units in the Funds have been reclassified from financial liability to equity. Refer to Note 1 a) for further detail.

The above Statements Of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

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Statements Of Changes In Equity

for the year ended 30 June 2018

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	Note	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Unitholders' Equity At Beginning Of The Year		-	-	-	-	-	-	-	-
Reclassification due to AMIT regime implementation [(A)]	1 a), 7 b)	9,247,330	-	450,168	-	1,521,884	-	673,777	-
Transactions with unitholders in their capacity as owners:									
Distributions paid and payable		-	-	-	-	-	-	-	-
Total transactions with unitholders		-	-	-	-	-	-	-	-
Profit/(Loss) for the year		-	-	-	-	-	-	-	-
Other comprehensive income for the year		-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	-	-	-
Total Unitholders' Equity At The End Of The Year		9,247,330	-	450,168	-	1,521,884	-	673,777	-

[(A)] Effective 30 June 2018, units in the Funds have been reclassified from financial liability to equity. Refer to Note 1 a) for further detail.

The above Statements Of Changes In Equity should be read in conjunction with the accompanying notes to the financial statements.

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Statements Of Cash Flows

for the year ended 30 June 2018

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	Note	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Cash Flows From Operating Activities									
Interest received		10,735	2,819	713	717	1,816	1,380	463	103
Dividends and distributions received		136,134	138,258	6,457	6,093	46,514	41,140	20,836	18,947
Other income received		370	1	17	-	70	38	3	17
Management, administration and performance fees paid		(135,342)	(111,437)	(7,095)	(4,838)	(17,446)	(10,279)	(8,975)	(5,532)
Withholding tax paid		(19,811)	(19,698)	(947)	(880)	(5,014)	(4,161)	(2,214)	(2,039)
Other expenses paid		(1,879)	(1,114)	(105)	(75)	(373)	(307)	(141)	(164)
Net Cash Inflows/(Outflows) From Operating Activities	8	(9,793)	8,829	(960)	1,017	25,567	27,811	9,972	11,332
Cash Flows From Investing Activities									
Purchase of investments		(2,342,715)	(2,188,815)	(156,069)	(144,941)	(523,598)	(610,919)	(184,888)	(305,941)
Proceeds from sale of investments		3,424,495	2,220,198	178,810	94,549	388,433	355,166	161,189	152,485
Net cash flows from foreign exchange hedging activities		-	-	10,468	3,914	14,806	44,010	-	-
Net foreign exchange gains/(losses)		(10,240)	(1,936)	361	124	21	357	(381)	(530)
Net Cash Inflows/(Outflows) From Investing Activities		1,071,540	29,447	33,570	(46,354)	(120,338)	(211,386)	(24,080)	(153,986)
Cash Flows From Financing Activities									
Receipts from issue of units		1,391,037	1,815,908	156,253	143,543	408,968	382,041	153,209	255,570
Payments for redemption of units		(1,888,212)	(1,220,428)	(158,829)	(77,340)	(196,812)	(138,440)	(117,224)	(97,073)
Distributions paid		(187,905)	(533,848)	(7,446)	(4,249)	(86,536)	(51,740)	(15,988)	(14,702)
Net Cash Inflows/(Outflows) From Financing Activities		(685,080)	61,632	(10,022)	61,954	125,620	191,861	19,997	143,795
Net Increase/(Decrease) In Cash And Cash Equivalents		376,667	99,908	22,588	16,617	30,849	8,286	5,889	1,141
Cash and cash equivalents at the beginning of the year		1,372,498	1,298,609	66,369	49,745	114,379	106,078	51,300	50,277
Effect of exchange rate fluctuations on cash and cash equivalents		70,591	(26,019)	21	7	26	15	2,517	(118)
Cash And Cash Equivalents At End Of Year	3	1,819,756	1,372,498	88,978	66,369	145,254	114,379	59,706	51,300

The Statements Of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

Notes To The Financial Statements

for the year ended 30 June 2018

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1. Summary Of Significant Accounting Policies

The financial reports cover the Magellan Global Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds"), as individual entities, for the year ended 30 June 2018.

The Funds are registered managed investment schemes under the *Corporations Act 2001*. In accordance with the Funds' Constitutions, they commenced on the date that their first units were issued, which is set out as follows:

Fund	Date of Commencement
Magellan Global Fund	1 July 2007
Magellan Infrastructure Fund	1 July 2007
Magellan Global Fund (Hedged)	28 June 2013
Magellan Infrastructure Fund (Unhedged)	28 June 2013

The Funds terminate on the day immediately preceding the 80th anniversary of their Date of Commencement, unless terminated earlier in accordance with the provisions of each Fund's Constitution.

Magellan Asset Management Limited, ("MAM"), (ABN 31 120 593 946) is the Responsible Entity of the Funds.

The financial reports were authorised for issue by the Directors of the Responsible Entity on 3 September 2018. The Directors have the power to amend and reissue the financial reports.

a) Basis Of Preparation

These general purpose financial reports are presented in Australian dollars and have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards ("AASB") and Interpretations issued by the Australian Accounting Standards Board, other mandatory professional reporting and the Funds' Constitutions. They also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Funds are considered for-profit unit trusts for the purpose of these financial reports.

The Statements Of Financial Position are 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. These fair value assets and liabilities comprise mainly investments, are managed based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. Consequently, the investments that may be realised within 12 months cannot be determined at reporting date.

Notes To The Financial Statements

for the year ended 30 June 2018

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1. Summary Of Significant Accounting Policies (continued)

a) Basis Of Preparation (continued)

Adoption Of Attribution Managed Investment Trust ("AMIT") Regime

On 5 May 2016, a new regime applying to Managed Investment Trusts was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The AMIT regime allows Managed Investment Trusts that meet certain requirements to make an irrevocable choice to be an AMIT. The Funds' Constitutions have been amended and other conditions to adopt the AMIT regime have been met. As a result, the Funds elected into the AMIT regime effective 30 June 2018.

Whilst the intention of the Responsible Entity with respect to distributions has not changed as a result of adopting AMIT, the contractual wording in the Funds' Constitutions no longer gives rise to an obligation, for accounting purposes, to distribute income to unitholders.

As a consequence, at 30 June 2018, the units in the Funds meet the definition of equity under AASB 132 (refer to Note 1 n)). This has resulted in the reclassification of units from financial liability to equity in the Statements Of Financial Position on 30 June 2018, which is presented as movements in the Statements Of Changes Of Equity. These movements represent the net assets attributable to unitholders on 30 June 2018, being the effective date the Funds adopted AMIT (refer Note 7 b) for further detail).

As the Funds adopted AMIT on 30 June 2018, applications, redemptions, units issued upon reinvestment of distributions or distributions paid/payable have been included within 'net assets attributable to unitholders - liability' for the year ended 30 June 2018 and 2017 (refer Note 7 for further detail).

New And Amended Accounting Standards

i) Accounting Standards And Interpretations Adopted

The accounting policies are consistent with those of the previous financial year and corresponding reporting period except for the adoption of the new standards and amendments which became mandatory for the current financial year. None of the new standards or amendments resulted in any changes to the amounts or disclosures in the current or prior year.

ii) Accounting Standards And Interpretations Issued But Not Yet Effective

The Funds have not early adopted any new standards, amendments to standards and interpretations that are not yet effective. None of the new standards and interpretations materially impact the Funds with the exception of those mentioned below:

- **AASB 9: Financial Instruments (AASB 9), (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, and financial assets will only be measured at amortised cost where very specific conditions are met. AASB 9 also introduces new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs and risk components that can be hedged and disclosures.

The new expected-loss impairment models require credit losses to be recognised when financial instruments are first recognised, and results in full lifetime expected credit losses recognised when there is a significant increase in credit risk.

There were no impacts on the Funds upon adoption of AASB 9 on 1 July 2018 as the Funds currently classify financial assets and financial liabilities at fair value through profit or loss or amortised cost, and the Funds do not apply hedge accounting.

Notes To The Financial Statements

for the year ended 30 June 2018

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1. Summary Of Significant Accounting Policies (continued)

a) Basis Of Preparation (continued)
New And Amended Accounting Standards (continued)
ii) Accounting Standards And Interpretations Issued But Not Yet Effective (continued)
- **AASB 15: Revenue From Contracts With Customers (effective 1 July 2018) (AASB 15)**

AASB 15 supersedes AASB 118 *Revenue* and AASB 111 *Construction Contracts*. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaces the existing notion of risk and rewards.

There were no impacts on the Funds upon adoption of AASB 15 on 1 July 2018 as the Funds' revenue recognition of interest, dividend and distribution income, investment gains/(losses) foreign exchange gains/(losses) were unaffected as these items are excluded from the scope of AASB 15.

b) Foreign Currency Translation
The functional and presentation currency of the Funds 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 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 Statements 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 Statements Of Profit Or Loss And Other Comprehensive Income.

c) Investment Income
Dividend And 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 presented gross of withholding tax in the Statements Of Cash Flows, with the foreign withholding tax recorded as an expense in the Statements Of Profit Or Loss And Other Comprehensive Income.

Net Changes In Fair Value Of Investments
Realised and unrealised gains and losses on investments are measured at fair value through profit or loss.

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

d) Expenses
All expenses are recognised in the Statements Of Profit Or Loss And Other Comprehensive Income on an accruals basis. Management, administration and performance fees are set out in Note 9 c).

Notes To The Financial Statements

for the year ended 30 June 2018

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1. Summary Of Significant Accounting Policies (continued)

e) Distributions

Distributions are determined by the Responsible Entity of the Funds and are payable as set out in each of the Funds' Product Disclosure Statement. Distributable income includes capital gains arising from the disposal of financial assets and liabilities held for trading. Unrealised gains and losses on financial assets and liabilities held for trading that are recognised as income are transferred to unitholders' equity (net assets attributable to unitholders at 30 June 2017) and are not assessable and distributable until realised. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively.

Distributions payable are recognised in the Statements Of Financial Position where the distributions have been declared but remain unpaid at reporting date.

f) Income Tax

Under current income tax legislation, the Funds are not subject to income tax provided they attribute the entirety of their taxable income to unitholders.

The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statements 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 Funds by third parties such as custodial services, management and administration fees have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits at a rate of 55% to 75% and are also eligible to recover GST on offshore transactions. Management, administration and performance fees and other expenses have been recognised in the Statements Of Profit Or Loss And Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office. 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 Statements Of Financial Position as a receivable or payable. Cash flows are included in the Statements Of Cash Flows on a gross basis.

h) Financial Assets And Liabilities

The Funds classify their financial assets into 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 at each financial year end, 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 are acquired and the liabilities are incurred.

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Notes To The Financial Statements

for the year ended 30 June 2018

1. Summary Of Significant Accounting Policies (continued)

h) Financial Assets And Liabilities (continued)
Financial Assets And Liabilities Designated At Fair Value
The Funds' financial assets and liabilities are classified and measured as follows:

Financial Asset/Liability	Classification	Valuation Basis	
Receivables	Loans and receivables	Amortised cost	Refer to Note 1 j)
Investments	Fair value through profit or loss	Fair value	Refer to Note 1 h)
Derivative assets and liabilities	Fair value through profit or loss – held for trading	Fair value	Refer to Note 1 k)
Distributions payable	Financial liability at amortised cost	Amortised cost	Refer to Note 1 e)
Payables	Financial liability at amortised cost	Amortised cost	Refer to Note 1 l)

Fair Value Through Profit Or Loss
Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Funds is the transaction price. Transaction costs are expensed immediately in the Statements 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 Statements Of Profit Or Loss And Other Comprehensive Income.

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership are passed to a third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

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 Funds (as set out in the Funds' Product Disclosure Statements and Constitutions).

The fair value of equity securities traded in active markets is based on their quoted market prices at reporting date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Funds 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 including 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 or any other valuation techniques commonly used by market participants.

Financial liabilities, other than those at fair value through the Statements Of Profit Or Loss And Other Comprehensive Income, are measured at amortised cost using the effective interest rate method.

i) Cash And Cash Equivalents
Cash includes cash at bank. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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Notes To The Financial Statements

for the year ended 30 June 2018

1. Summary Of Significant Accounting Policies (continued)

j) Receivables

Receivables comprise amounts due from brokers for sales of assets and applications for units in the Funds 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, and adjusted for changes in foreign exchange rates where applicable, less a provision for uncollectible amounts.

k) Derivatives

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable. Derivatives are recognised at fair value and changes in the fair value are recorded in the Statements Of Profit Or Loss And Other Comprehensive Income and included in 'net change in fair value of investments – held for trading'. Derivatives are included in the Statements Of Financial Position as an asset when the fair value at balance date is positive and classified as a liability when the fair value at balance date is negative.

l) Payables

Payables comprise trade creditors and accrued expenses owing by the Funds at reporting date. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables and accruals are recognised at amortised cost at the point where the Funds become obliged to make payments in respect of the purchase of these goods and services (refer to Note 1 e) for distribution payable).

m) Net Assets Attributable To Unitholders

Prior to 30 June 2018, the units issued by the Funds were classified as a financial liability in the Statements Of Financial Position as the Funds' Constitutions required the net income of the Funds to be distributed to unitholders of the Funds. Changes in net assets attributable to unitholders were recognised in the Statements Of Profit Or Loss And Other Comprehensive Income as finance costs.

On 30 June 2018, the Funds adopted AMIT (refer Note 1 a)). As a consequence, the units in the Funds were reclassified from financial liability to equity (refer Note 1 n) for further detail).

n) Unitholders' Equity

On 30 June 2018, units issued by the Funds were reclassified from financial liability to equity as they satisfied the below criteria under AASB 132 *Financial Instruments: Presentation:*

- the units entitle unitholders to a pro-rata share of net assets in the event of the Funds' liquidation;
- all units have the same rights and features;
- the units do not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Funds; and
- the total expected cash flows attributable to the units over their life are based substantially on the Funds' net profit/(loss).

Applications received for units in the Funds are recorded net of entry frees. Redemptions from the Funds are recorded gross of exit fees. The Funds recognise the units issued or redeemed when settled, which is trade date.

o) Offsetting Financial Instruments

Financial assets and financial liabilities are presented net in the Statements Of Financial Position where the Funds have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes To The Financial Statements

for the year ended 30 June 2018

1. Summary Of Significant Accounting Policies (continued)

p) Rounding Of Amounts

All amounts in the financial statements are rounded to the nearest thousand dollars ($'000) in accordance with the Australian Securities & Investments Commission's *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191,* unless otherwise stated.

q) Critical Accounting Estimates And Judgements

The preparation of the Funds' 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 balance date. Fair values may however move materially with movements in market prices (refer to further detail in Note 10 c)). As the investments are valued with reference to the listed quoted prices, the Funds' financial assets are not subject to significant judgement or complexity nor are the Funds' liabilities.

r) Including Different Registered Scheme Financial Reports In A Single Document

The Funds have applied *Australian Securities & Investments Commission's (Related Scheme Reports) Instrument 2015/839*, which allows registered schemes with a common Responsible Entity to include their financial statements in adjacent columns in a single financial report.

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Notes To The Financial Statements

for the year ended 30 June 2018

2. Distributions To Unitholders

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Interim distribution paid to unitholders ($'000)	-	-	-	-	13,980	10,005	6,282	3,629
Final distribution payable to unitholders ($'000)	710,350	224,295	29,630	8,931	50,330	103,719	12,155	11,370
Total Distribution To Unitholders ($'000)	710,350	224,295	29,630	8,931	64,310	113,724	18,437	14,999
The total distribution consisted of:								
Income ($'000)	710,350	224,295	29,630	4,886	61,065	113,724	13,360	14,999
Return of capital ($'000)	-	-	-	4,045	3,245	-	5,077	-
Total Distribution (Cents Per Unit)	16.1456	4.8578	10.0066	3.0000	5.3662	11.2777	4.7000	4.0822

Final distributions for each Fund, for the six months ended 30 June 2018, shown in the table above, were paid on 13 July 2018. The interim distributions for MIF and MIFU, for the six months ended 31 December 2017, were paid on 3 January 2018.

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Notes To The Financial Statements

for the year ended 30 June 2018

2. Distributions To Unitholders (continued)

a) Distribution Reinvestment Plan (DRP)

A DRP operated in each Fund during the years ended 30 June. Unitholders may request their distributions to be applied as subscriptions for additional units in the respective Fund at the Issue Price (as defined in the respective Fund's Constitution), determined after the number of units on issue is calculated for the purpose of making the distribution.

DRP details of each Fund are as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
DRP issue price (final distribution - units issued 1 July) ($)	2.1032	1.9373	1.5212	1.4332	1.2622	1.2312	1.7216	1.6208
DRP unitholder participation rate (%)	17.31	16.23	20.08	16.64	23.19	26.78	9.61	9.47
Number of units issued under DRP	58,459,548	18,783,743	3,908,747	1,036,385	9,236,273	22,548,692	677,272	663,336
Value of units issued under DRP ($'000)	122,952	36,390	5,946	1,485	11,658	27,762	1,166	1,075

	Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
DRP issue price (interim distribution - units issued 1 January) ($)	1.2802	1.1920	1.6803	1.5147
DRP unitholder participation rate (%)	24.34	28.41	9.39	9.55
Number of units issued under DRP	2,656,518	2,383,937	350,546	228,409
Value of units issued under DRP ($'000)	3,401	2,842	589	346

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Notes To The Financial Statements

for the year ended 30 June 2018

3. Cash And Cash Equivalents

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Cash at bank - denominated in Australian Dollars	17,513	40,847	88,291	65,869	143,612	112,777	4,427	3,871
Cash at bank - denominated in foreign currency:								
- United States Dollars	1,802,195	1,331,611	638	476	1,507	1,466	55,143	47,297
- British Pounds	20	17	18	9	36	35	36	34
- Euros	16	14	17	8	32	30	33	30
- Swiss Francs	12	9	14	7	27	28	27	28
- Canadian Dollars	-	-	-	-	21	21	21	20
- New Zealand Dollars	-	-	-	-	19	22	19	20
Total Cash And Cash Equivalents	1,819,756	1,372,498	88,978	66,369	145,254	114,379	59,706	51,300

4. Receivables

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Dividend receivable	-	-	-	-	9,151	6,975	3,945	3,208
Applications receivable	3,859	8,018	871	481	1,529	1,474	603	366
Interest receivable	958	13	90	67	172	145	62	2
Due from brokers - receivable for securities sold	-	-	-	-	-	14,678	-	6,746
Recoverable GST and foreign withholding tax	16,460	14,979	799	513	2,085	1,881	636	658
Total Receivables	21,277	23,010	1,760	1,061	12,937	25,153	5,246	10,980

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Notes To The Financial Statements

for the year ended 30 June 2018

5. Investments And Derivatives

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
a) Investments								
Australian listed equity securities	-	-	-	-	303,894	206,950	130,676	95,209
International listed equity securities:								
- United States	6,969,151	6,440,473	345,508	296,616	472,929	357,943	203,725	164,669
- Switzerland	595,323	646,391	29,635	29,524	38,166	50,526	16,387	23,095
- United Kingdom	263,181	442,363	12,943	20,206	84,736	109,266	36,591	49,945
- Germany	326,872	-	16,257	-	-	-	-	-
- France	-	275,146	-	12,568	133,840	182,950	57,572	83,829
- Italy	-	-	-	-	130,970	102,371	56,497	46,606
- Canada	-	-	-	-	130,080	102,133	56,513	46,720
- New Zealand	-	-	-	-	45,444	37,330	19,837	17,117
- Netherlands	-	-	-	-	44,551	39,894	19,122	18,194
- Spain	-	-	-	-	37,132	-	16,015	-
- Chile	-	-	-	-	24,830	23,146	10,809	10,569
Total Investments	8,154,527	7,804,373	404,343	358,914	1,446,572	1,212,509	623,744	555,953
b) Derivative Assets								
Forward foreign currency contracts[(A)]	-	-	-	11,523	-	18,123	-	6
Total Derivative Assets	-	-	-	11,523	-	18,123	-	6
Derivative Liabilities								
Forward foreign currency contracts	-	-	13,525	-	29,308	-	-	-
Total Derivative Liabilities	-	-	13,525	-	29,308	-	-	-

[(A)] Magellan Infrastructure Fund (Unhedged) can use foreign exchange contracts to facilitate settlement of stock purchases.

i) Fair Value Disclosures

An overview of the fair value measurements relating to investments held at fair value through profit or loss is included in Note 10 f).

Notes To The Financial Statements

for the year ended 30 June 2018

6. Payables

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	Note	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Management fees payable	9 c)	12,196	10,449	586	497	1,496	1,197	654	540
Performance fees payable	9 c)	18,805	11,480	582	1,019	884	1,171	1,635	965
Due to brokers - payable for securities purchases		-	-	-	-	-	15,887	-	7,179
Redemptions payable		6,879	8,703	590	754	861	584	475	755
Total Payables		37,880	30,632	1,758	2,270	3,241	18,839	2,764	9,439

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Notes To The Financial Statements

for the year ended 30 June 2018

7. Unitholders' Equity

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	Note	30 June 2018 No. of Units '000	30 June 2017 No. of Units '000	30 June 2018 No. of Units '000	30 June 2017 No. of Units '000	30 June 2018 No. of Units '000	30 June 2017 No. of Units '000	30 June 2018 No. of Units '000	30 June 2017 No. of Units '000
a) Units On Issue									
Units on issue at beginning of the year		4,617,246	4,225,126	297,708	247,642	1,014,090	798,333	368,869	265,165
Units issued		677,581	981,191	101,897	107,150	325,687	308,097	92,768	164,951
Units issued under DRP	2 a)	18,784	63,800	1,036	576	24,933	18,532	892	1,515
Units redeemed		(913,972)	(652,871)	(104,539)	(57,660)	(156,662)	(110,872)	(70,449)	(62,762)
Units On Issue At End Of Year		4,399,639	4,617,246	296,102	297,708	1,208,048	1,014,090	392,080	368,869

Terms And Conditions Of Units

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

- the right to redeem units, subject to restrictions disclosed in the Funds' Product Disclosure Statements;
- the right to receive a distribution determined in accordance with the Funds' Constitutions;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Funds.

There are no separate classes of units and each unit in a Fund has the same rights attaching to it as all other units of that Fund.

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Notes To The Financial Statements

for the year ended 30 June 2018

7. Unitholders' Equity (continued)

Prior to 30 June 2018, units in the Funds were classified as net assets attributable to unitholders and presented as a financial liability in the Statements Of Financial Position in accordance with AASB 132. On 30 June 2018, the Funds elected into the AMIT regime and as a consequence the units in the Funds were reclassified from financial liability to equity from 30 June 2018 (refer Note 1 a)).

Movements in net assets attributable to unitholders during the year were as follows:

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	Note	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
b) Changes In Net Assets Attributable To Unitholders									
Opening balance - liability		8,944,954	7,273,143	426,666	302,530	1,247,606	988,057	597,430	418,757
Applications		1,387,175	1,815,048	156,647	143,446	409,155	382,269	153,446	254,881
Redemptions		(1,886,388)	(1,224,247)	(158,665)	(77,898)	(197,089)	(138,439)	(116,944)	(97,688)
Units issued under DRP and management fee rebates		38,617	112,011	1,725	854	32,708	24,812	1,877	2,452
Increase/(decrease) in net assets attributable to unitholders		762,972	968,999	23,795	57,734	29,504	(9,093)	37,968	19,028
Closing Balance - Liability		9,247,330	8,944,954	450,168	426,666	1,521,884	1,247,606	673,777	597,430
Reclassification to equity due to AMIT regime implementation implementation	1 a)	(9,247,330)	-	(450,168)	-	(1,521,884)	-	(673,777)	-
Closing Balance		-	8,944,954	-	426,666	-	1,247,606	-	597,430

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Notes To The Financial Statements

for the year ended 30 June 2018

8. Statements Of Cash Flows Reconciliation

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
a) Reconciliation Of Cash Flows From Operating Activities								
Net operating profit/(loss)	1,473,322	1,193,294	53,425	66,665	93,814	104,631	56,405	34,027
Adjusted for:								
Income entitlements reinvested	-	-	-	-	-	(986)	-	(437)
Net changes in fair value of investments:								
- held for trading	-	-	14,581	(11,188)	32,625	(28,897)	6	(6)
- designated at fair value through profit or loss	(1,431,154)	(1,226,814)	(68,706)	(55,363)	(100,073)	(48,828)	(44,381)	(22,935)
Net losses/(gains) on foreign currency transactions and cash settlements	(61,131)	32,830	153	(65)	(141)	575	(2,307)	770
Fee rebates reinvested into units in the Funds	2,524	2,187	244	150	1,677	1,969	213	72
Changes in operating receivables and payables								
- Net (increase)/decrease in receivables and other assets	(2,426)	(5,615)	(309)	(346)	(2,347)	(2,046)	(748)	(1,276)
- Net increase/(decrease) in payables and other liabilities	9,072	12,947	(348)	1,164	12	1,393	784	1,117
Net Cash Inflows/(Outflows) From Operating Activities	(9,793)	8,829	(960)	1,017	25,567	27,811	9,972	11,332
b) Reconciliation Of Cash								
For the purposes of the Statements Of Cash Flows, cash comprises:								
Cash and cash equivalents	1,819,756	1,372,498	88,978	66,369	145,254	114,379	59,706	51,300
c) Non-Cash Investing And Financing Activities								
Investments purchased via reinvestment of income entitlements		-	-	-	-	986	-	437
Fee rebates reinvested into units in the Funds	2,524	2,187	244	150	1,677	1,969	213	72
Distributions reinvested into units in the Funds	36,390	109,824	1,485	704	31,163	22,843	1,664	1,075

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9. Related Parties

a) Responsible Entity

The Responsible Entity of the Funds is 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 Funds. Refer to Note 9 c) for detail on Responsible Entity's fees.

MAM provides Responsible Entity and investment management services to the Funds.

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 Funds. The Responsible Entity is responsible for managing the activities of the Funds and considered to be a KMP. The Funds do not employ personnel in their own right.

(i) Directors

The Directors of MAM, the Responsible Entity of the Funds, are considered to be KMP. The Directors of MAM during the year and up to the date of this report are: Dr Brett Cairns, Mr Hamish Douglass, Mr John Eales, Mr Robert Fraser, Mr Paul Lewis, Mr Hamish McLennan and Ms Karen Phin.

(ii) Other Key Management Personnel ("Other KMP")

In addition to the Directors, the following persons also had authority for strategic direction and management of the Funds, directly or indirectly, during the year:

Name	Position	Employer
Frank Casarotti	Head of Distribution	MAM
Kirsten Morton	Chief Financial Officer	MAM
Gerald Stack	Head of Investments	MAM
Marcia Venegas	Head of Risk, Compliance and Legal	MAM
Craig Wright	Head of Governance and Advisory	MAM

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9. Related Parties (continued)

b) Key Management Personnel (continued)

(ii) Other Key Management Personnel ("Other KMP") (continued)
Remuneration Of KMP
The KMP are not compensated by the Funds.

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

Short term benefits Salary		Short term benefits Cash bonus		Post-employment benefits		Long-term benefits		Termination benefits		Other benefits		Total remuneration paid to KMP	
30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $
8,072,781	6,333,330	4,311,887	3,461,121	157,695	161,768	386,920	284,346	-	432,597	56,123	124,178	**12,985,406**	**10,797,340**

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 Funds for managing the assets, and overseeing the operations of the Funds. The Responsible Entity also charges an administration fee of 0.10% to each Fund from which the operating expenses of the Funds, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs, are paid. Management and administration fees are payable at the end of the month, and are collectively referred to as management fees in these financial statements.

(ii) Performance Fees
Performance fees are calculated on six monthly calculation periods ending on 30 June and 31 December of each year. The Responsible Entity's entitlement to a performance fee is dependent on a fund exceeding both index relative and absolute return hurdles over a given calculation period, as well as exceeding the applicable high watermark. Performance fees crystallise at the end of a calculation period, or when units are redeemed, subject to a performance fee entitlement existing at the date of redemption. Further detail of the performance fees can be found in the Funds' Product Disclosure Statements.

Notes To The Financial Statements

for the year ended 30 June 2018

9. Related Parties (continued)

c) Responsible Entity Fees (continued)

(ii) Total Management, Administration and Performance Fees

The management fees paid/payable by the Funds during the year are net of any applicable reduced input tax credits – refer to Note 1 g). The management, administration and performance fees paid/payable by the Funds during the year are as follows:

	30 June 2018		30 June 2017	
	% pa	$	% pa	$
Magellan Global Fund				
Management fee	1.25	118,589,910	1.25	106,532,917
Administration fee	0.10	9,487,193	0.10	8,522,633
Total management and administration fees	1.35	128,077,103	1.35	115,055,550
Performance fee		18,861,122		11,515,948
Total Fees Expensed In The Statement Of Profit Or Loss And Other Comprehensive Income		146,938,225		126,571,498
Total Management, Administration And Performance Fees Payable In The Statement Of Financial Position		31,001,034		21,929,058
Magellan Global Fund (Hedged)				
Management fee	1.25	5,771,701	1.25	4,731,632
Administration fee	0.10	461,736	0.10	378,531
Total management and administration fees	1.35	6,233,437	1.35	5,110,163
Performance fee		758,464		1,041,657
Total Fees Expensed In The Statement Of Profit Or Loss And Other Comprehensive Income		6,991,901		6,151,820
Total Management, Administration And Performance Fees Payable In The Statement Of Financial Position		1,168,895		1,516,376
Magellan Infrastructure Fund				
Management fee	0.95	13,922,073	0.95	11,282,021
Administration fee	0.10	1,465,481	0.10	1,187,581
Total management and administration fees	1.05	15,387,554	1.05	12,469,602
Performance fee		3,747,330		1,170,683
Total Fees Expensed In The Statement Of Profit Or Loss And Other Comprehensive Income		19,134,884		13,640,285
Total Management, Administration And Performance Fees Payable In The Statement Of Financial Position		2,380,084		2,367,531
Magellan Infrastructure Fund (Unhedged)				
Management fee	1.25	6,225,971	1.25	5,208,740
Administration fee	0.10	655,365	0.10	548,288
Total management and administration fees	1.35	6,881,336	1.35	5,757,028
Performance fee		3,091,172		964,367
Total Fees Expensed In The Statement Of Profit Or Loss And Other Comprehensive Income		9,972,508		6,721,395
Total Management, Administration And Performance Fees Payable In The Statement Of Financial Position		2,289,304		1,504,683

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9. Related Parties (continued)

d) Transactions With Related Parties

The number of units held and related transactions during the year by each KMP, including their personally-related parties, in the Funds are as follows:

	30 June 2018					30 June 2017				
	Units acquired during the year (A)	Units redeemed during the year	Units held at end of year		Distribution paid or payable	Units acquired during the year (A)	Units redeemed during the year	Units held at end of year		Distribution paid or payable
	Number	Number	Number	%	$	Number	Number	Number	%	$
Magellan Global Fund										
Magellan Financial Group Limited	-	-	53,301,469	1.2	8,605,861	4,333,653	-	53,301,469	1.2	7,459,950
Directors										
Hamish Douglass	38,558	-	1,576,283	(B)	254,501	125,024	-	1,537,725	(B)	74,699
Paul Lewis	11,233	-	517,153	(B)	83,498	36,424	-	505,920	(B)	23,790
Other KMP										
Gerald Stack	1,759	-	71,897	(B)	11,608	5,705	-	70,138	(B)	3,407
Magellan Global Fund (Hedged)										
Magellan Financial Group Limited	-	-	516,133	0.2	51,647	8,314	-	516,133	0.2	15,484
Magellan Infrastructure Fund										
Directors										
Paul Lewis	34,939	-	409,721	(B)	17,070	332,936	-	374,782	(B)	42,233
Other KMP										
Gerald Stack	7,625	-	89,421	(B)	3,725	5,685	-	81,796	(B)	9,217
Marcia Venegas	3,508	-	3,508	(B)	146	-	-	-	-	-

(A) Includes the reinvestment of 30 June 2016 and 30 June 2017 distributions paid in the years ended 30 June 2017 and 30 June 2018 respectively.

(B) Less than 0.1%.

(C) In addition to the above holdings, Mr Douglass and Mr Casarotti selected the Magellan Global Fund product via their employer superannuation account and currently have holdings of 450,260 and 24,869 units at a value of $821,003 and $70,851 respectively as at 30 June 2018 (June 2017: 440,031 and 39,898 units at a value of $696,480 and $63,151 respectively).

Transactions between the Funds and related parties are subject to the same terms and conditions as those entered into by other unitholders. Unless specified above, no other KMP held units in the Funds.

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10. Capital And Financial Risk Management

a) Financial Risk Management

The Funds' investment portfolios primarily comprise listed equity investments. Each Fund's investment objective is to seek long term capital growth through investing in undervalued securities globally. The Funds' investment objectives are described in their respective Product Disclosure Statements. The Funds' investing activities expose them to various types of risks including concentration risk, market risk, liquidity risk and credit risk.

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

The following disclosures in relation to the various risks of the Funds' portfolios have been based on the Funds' direct holdings.

b) Concentration Risk

Concentration indicates the relative sensitivity of the Funds' performance to developments affecting a particular industry or geographical location. The Funds hold concentrated portfolios of investments, and the returns of the Funds may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in the Funds' unit prices, and also increases the risk of poor performance.

The Funds' concentration risk is managed in accordance with the portfolio risk controls for each Fund, which are approved by the Investment Committee.

c) 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.

i) 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 portfolios is sufficient to ensure the Funds' returns are not overly correlated to a single company, industry specific or macroeconomic risk but the returns of the portfolios 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 returns of the Funds may increase or decrease by different amounts.

Notes To The Financial Statements

for the year ended 30 June 2018

10. Capital And Financial Risk Management (continued)

c) Market Risk (continued)
i) Equity Price Risk (continued)
An increase of 5% in the market price of each of the Funds' investments, assuming all other variables remain constant, would have increased the Funds' net operating profit and unitholders' equity (net assets attributable to unitholders at 30 June 2017) at reporting date as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Impact on net operating profit and unitholders' equity (net assets attributable to unitholders 30 June 2017)	407,726	390,219	20,217	17,946	72,329	60,625	31,187	27,798

A decrease of 5% in the market price of each of the Funds' investments would have had an equal but opposite effect.

ii) 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 Funds 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 currency risk of Magellan Global Fund and Magellan Infrastructure Fund (Unhedged) is managed on an unhedged basis and therefore the returns of these funds are exposed to changes in exchange rates relative to the Australian dollar. In exceptional circumstances the Investment Manager may elect to hedge currency exposure in these funds to a major currency. No such hedging activities were undertaken in respect of these funds during the years ended 30 June 2017 and 30 June 2018.

Magellan Global Fund (Hedged) and Magellan Infrastructure Fund are managed on a currency hedged basis using forward foreign currency contracts. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund invest in financial assets denominated in currencies other than the Australian dollar and are therefore exposed to the risk that movements in foreign exchange rates will cause fluctuations in profit or loss. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund use 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. Where it is a strategy of the funds to substantially eliminate currency exposure, the appropriateness of the amounts hedged is monitored daily and adjusted if the total net exposure of the funds to any individual foreign currency is greater than 5% of the net assets of the respective fund.

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for the year ended 30 June 2018

10. Capital And Financial Risk Management (continued)

c) Market Risk (continued)
ii) Currency Risk (continued)
The Funds' total net exposure to fluctuations in foreign currency exchange rates at the reporting date is:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
US Dollars	8,773,310	7,772,083	(3,988)	2,717	20,609	1,652	259,318	213,352
Euro	329,562	277,177	284	(747)	1,541	(1,267)	149,445	147,633
British Pounds	263,200	442,379	(1,344)	(2,323)	1,928	2,214	37,874	49,962
Swiss Francs	604,751	656,239	1,437	253	(493)	(2,657)	16,620	24,155
Canadian Dollars	-	-	-	-	8,951	(270)	56,596	46,782
New Zealand Dollars	-	-	-	-	1,260	2,298	19,856	17,033
Chilean Pesos	-	-	-	-	(942)	702	10,809	10,569
Hong Kong Dollars	-	-	-	-	17	-	-	-

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10. Capital And Financial Risk Management (continued)

c) Market Risk (continued)
ii) Currency Risk (continued)

The changes in unitholders' equity (net assets attributable to unitholders at 30 June 2017) and net operating profit that would arise from a 5% increase or decrease in the Australian dollar relative to each currency to which the Funds are exposed at reporting date are as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018		30 June 2018		30 June 2018		30 June 2018	
	5% increase in A$'000	5% decrease in A$'000	5% increase in A$'000	5% decrease in A$'000	5% increase in A$'000	5% decrease in A$'000	5% increase in A$'000	5% decrease in A$'000
Assets and liabilities denominated in:								
US Dollars	(417,777)	461,753	190	(210)	(981)	1,085	(12,348)	13,648
Euro	(15,693)	17,345	(14)	15	(73)	81	(7,116)	7,866
British Pounds	(12,533)	13,853	64	(71)	(92)	101	(1,804)	1,993
Swiss Francs	(28,798)	31,829	(68)	76	23	(26)	(791)	875
Canadian Dollars	-	-	-	-	(426)	471	(2,695)	2,979
New Zealand Dollars	-	-	-	-	(60)	66	(946)	1,045
Chilean Pesos	-	-	-	-	45	(50)	(515)	569
Hong Kong Dollars	-	-	-	-	(1)	1	-	-

	30 June 2017		30 June 2017		30 June 2017		30 June 2017	
	5% increase in A$'000	5% decrease in A$'000	5% increase in A$'000	5% decrease in A$'000	5% increase in A$'000	5% decrease in A$'000	5% increase in A$'000	5% decrease in A$'000
Assets and liabilities denominated in:								
US Dollars	(370,099)	349	(129)	143	(79)	87	(10,160)	11,229
Euro	(13,199)	14,588	36	(39)	60	(67)	(7,030)	7,770
British Pounds	(21,066)	23,283	111	(122)	(105)	117	(2,379)	2,630
Swiss Francs	(31,249)	34,539	(12)	13	127	(140)	(1,150)	1,271
Canadian Dollars	-	-	-	-	13	(14)	(2,228)	2,462
New Zealand Dollars	-	-	-	-	(109)	121	(811)	896
Chilean Pesos	-	-	-	-	(33)	37	(503)	556
Hong Kong Dollars	-	-	-	-	-	-	-	-

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10. Capital And Financial Risk Management (continued)

c) Market Risk (continued)
iii) Interest Rate Risk
Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The primary exposure to interest rates arises on cash balances held by the Funds, which are all held in floating interest rate accounts. Based on the Australian and US dollar cash balances held by the Funds, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would have increased the Funds' net operating profit and unitholders' equity (net assets attributable to unitholders at 30 June 2017) at reporting date as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Australian dollar cash balances	15	41	88	66	144	113	5	4
US dollar cash balances	1,804	1,332	1	-	2	1	55	47
Impact on net operating profit and unitholders' equity (net assets attributable to unitholders at 30 June 2017)	1,819	1,373	89	66	146	114	60	51

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 Funds may vary from time to time, depending on the level of recent capital flows into and out of the Funds, and on the Investment Manager's judgement. The cash balances held by the Funds as at reporting date may therefore not be typical of the amounts of cash generally held by the Funds.

None of the Funds hold other significant cash balances exposed to interest rates in other currencies. In addition, the Funds did not have any borrowings, or other financial liabilities or assets with direct exposure to changes in interest rates.

d) Liquidity Risk
Liquidity risk is the risk that the Funds 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 Funds maintaining sufficient cash reserves to meet their normal operating requirements and holding investments that are traded in active markets and can be readily disposed. The majority of the Funds' equity securities are considered readily realisable as they are listed on stock exchanges around the world. In addition, the Funds' Constitutions and Product Disclosure Statements allow the Responsible Entity, MAM, to suspend capital withdrawals from the Funds for up to 28 days, at its discretion, if withdrawal requests would require the disposal of 5% or more of the Trust Property of the Funds, 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 Funds.

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10. Capital And Financial Risk Management (continued)

d) Liquidity Risk (continued)

At reporting date, the Funds had an obligation to settle liabilities with cash and cash equivalents as set out below:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Cash and cash equivalents	1,819,756	1,372,498	88,978	66,369	145,254	114,379	59,706	51,300
Liabilities								
Payables	37,880	30,632	1,758	2,270	3,241	18,839	2,764	9,439
Distributions payable	710,350	224,295	29,630	8,931	50,330	103,719	12,155	11,370
Derivative liabilities	-	-	13,525	-	29,308	-	-	-

At 30 June 2018, the Funds' non-derivative financial liabilities comprised payables which mature in less than a month (June 2017: less than one month) (refer Note 6). At reporting date Magellan Global Fund (Hedged) and Magellan Infrastructure Fund had derivative liabilities that were settled within one month (refer Note 5 b)).

e) 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 Funds minimise 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 Funds are regularly monitored to further mitigate this risk. Credit risk relating to outstanding settlements is considered small due to the short settlement periods involved.

Magellan Global Fund and Magellan Infrastructure Fund (Unhedged) do not hold derivatives. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund use derivative financial instruments for currency hedging purposes. Derivatives are not used to gear (leverage) the portfolios. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund may have credit risk arising from forward foreign currency positions if the market value of those positions is positive. At 30 June 2018 the market value of forward foreign currency contracts were: Magellan Global Fund (Hedged) ($13,525,000) (June 2017: $11,523,000) and Magellan Infrastructure Fund ($29,308,000) (June 2017: $18,123,000).

The Responsible Entity has appointed the Northern Trust Company ("NT") as the Funds' custodian. In acting as custodian, NT is required to comply with the relevant provisions of the *Corporations Act 2001*, applicable ASIC regulatory guides, legislative instruments and class orders relating to registered managed investment schemes property arrangements with custodians. The credit quality of NT's senior debt is rated, at reporting date, by Standard and Poor's as A+ and by Moody's as A2 (June 2017: Standard and Poor's as A+ and by Moody's as A2).

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10. Capital And Financial Risk Management (continued)

e) Credit Risk (continued)

At reporting date, the Funds' maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statements Of Financial Position.

i) Ageing Analysis Of Receivables

At reporting date, the Funds' receivables, excluding recoverable GST and foreign withholding tax, were due within 0 to 30 days (refer Note 4) (June 2017: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2017: 30 to 90 days). Foreign withholding tax is due within 2 to 10 years dependent on the jurisdiction (June 2017: 2 to 5 years). No amounts are impaired or past due at 30 June 2018 or 30 June 2017.

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10. Capital And Financial Risk Management (continued)

f) Fair Value Disclosures

The Funds classify 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 Funds' or the derivative counterparties' current credit worthiness.

- Level 3: valuation techniques using non-market observable inputs.

The following table presents the fair value measurement hierarchy of the Funds' financial assets and liabilities:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Financial Assets Measured At Fair Value								
Level 1: Investments - valued using quoted price [(A)]	8,154,527	7,804,373	404,343	358,914	1,446,572	1,212,509	623,744	555,953
Level 2: Forward foreign currency contracts	-	-	-	11,523	-	18,123	-	6
Total Financial Assets Measured at Fair Value	8,154,527	7,804,373	404,343	370,437	1,446,572	1,230,632	623,744	555,959
Financial Liabilities Measured At Fair Value								
Level 2: Forward foreign currency contracts	-	-	13,525	-	29,308	-	-	-
Total Financial Liabilities Measured At Fair Value	-	-	13,525	-	29,308	-	-	-

(A) All Australian and international equity securities held by the Funds are Level 1 assets.

The Funds do not hold any level 3 assets.

There have been no transfers between any of the three levels in the hierarchy during the year and the Funds' policies are to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period.

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Notes To The Financial Statements

for the year ended 30 June 2018

10. Capital And Financial Risk Management (continued)

g) Offsetting Financial Assets And Financial Liabilities

Financial assets and financial liabilities are presented net in the Statements Of Financial Position where the Funds currently have a legally enforceable right to offset the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Derivative assets and liabilities that are subject to legally enforceable master netting agreements, such as an International Swaps and Derivatives Association master netting agreements. Foreign currency contracts are contracted individually with the intention to settle the forward asset or liability simultaneously if required.

The following table presents the Funds' gross and net positions of derivative assets and liabilities that have been offset:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Gross Amounts Of Financial Assets								
Forward Foreign Currency Contracts	-	-	-	**11,523**	**226**	**19,980**	-	**11**
Gross amounts offset in the Statements of Financial Position	-	-	-	-	(226)	(1,857)	-	(5)
Gross Amounts Of Financial Liabilities								
Forward Foreign Currency Contracts	-	-	**(13,525)**	-	**(29,534)**	**(1,857)**	-	**(5)**
Gross amounts offset in the Statements of Financial Position	-	-	-	-	226	1,857	-	5
Net Amount Of Financial Assets/(Liabilities) Presented In The Statement Of Financial Position	-	-	**(13,525)**	**11,523**	**(29,308)**	**18,123**	-	**6**

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Notes To The Financial Statements

for the year ended 30 June 2018

11. Auditor's Remuneration

During the year, the following amounts were paid or payable by the Responsible Entity on behalf of the Funds:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $
Audit Services								
Audit and review of financial reports	16,400	17,700	16,400	17,700	16,400	17,700	16,400	17,700
Other assurance services	1,951	2,000	1,951	2,000	1,951	2,000	1,951	2,000
Non-Audit Services								
Taxation	7,600	7,500	13,050	6,500	6,600	6,500	6,600	6,500
Total Auditor's Remuneration of Ernst & Young Australia	25,951	27,200	31,401	26,200	24,951	26,200	24,951	26,200

12. Contingent Assets, Contingent Liabilities And Commitments

The Funds have no contingent assets, contingent liabilities or commitments at 30 June 2018 (June 2017: nil).

13. Events Subsequent To The End Of The Year

The Directors of the Responsible Entity are not aware of any other matters or circumstances not otherwise dealt with in the financial reports that has significantly affected, or may significantly affect, the Funds' operations, the results of those operations, or the Funds' state of affairs in future years.

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Directors' Declaration

for the year ended 30 June 2018

In the opinion of the Directors, the financial statements and notes of:

Magellan Global Fund
Magellan Global Fund (Hedged)
Magellan Infrastructure Fund; and
Magellan Infrastructure Fund (Unhedged), (together "the Funds") as set out on pages 10 to 42;

a) are in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the financial position of the Funds as at 30 June 2018 and of their performance as represented by the results of their operations and their cash flows for the year ended on that date; and

ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001,* International Financial Reporting Standards as disclosed in Note 1 and other mandatory professional reporting requirements; and

b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.

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 financial year ended 30 June 2018.

Signed in accordance with a resolution of the Directors of the Responsible Entity.

Brett Cairns
Executive Chairman

Sydney, 3 September 2018

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Independent auditor's report to the unitholders of Magellan Global Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged)

Opinion

We have audited the accompanying financial report of Magellan Global Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds"), which comprises the statements of financial position as at 30 June 2018, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Funds is in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Schemes' financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Schemes in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Information Other than the Financial Report and Auditor's Report

The directors of the responsible entity of the Funds are responsible for the other information. The other information is the Responsible Entity's report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the responsible entity of the Funds 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.

In preparing the financial report, the directors are responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Funds or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

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Rita Da Silva
Partner
Sydney
3 September 2018

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Corporate Information

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Hamish Douglass
John Eales
Robert Fraser
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Hamish McLennan
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