Australian Shareholders' Association Limited
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Has the outflow of funds under management started a slow reversal?

Company/ASX Code	Magellan Financial Group (MFG)
AGM time and date	Tuesday, 22 October 2024 at 11:00am
Location	Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000.
Registry	Boardroom
Type of meeting	Physical
Monitor	Allan Goldin and Michael Jackson
Pre-AGM Meeting	Yes, Executive Chair Andrew Formica and Michael Hands Vice-President Strategy

Monitor Shareholding: One of the individuals (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

How we intend to vote

No.	Resolution description	
2	Adoption of Remuneration Report	For
3 (a)	Re-Election of Catherine (Cathy) Kovacs (also known as Catherine Stanton)	For
3(b)	Re-election of David Dixon	For
4	Approval of grant of Performance Rights and Restricted Shares to Ms Sophia Rahmani under the Magellan Financial Group Equity Plan	For
5	Approval of the Magellan Financial Group Equity Plan	For
6	Spill Resolution – Conditional Resolution	Against

1. Summary of Issues and Voting Intentions for AGM/EGM

- As it has been for 3 years, the outflow of FUM
- Is there now a stable leadership team?
- The results of Vinva shareholding and distribution agreement

See ASA Voting guidelines and Investment Glossary for definitions.

3. Matters Considered

Accounts and reports

No discussion of Magellan takes place without immediate discussion on Funds Under Management (FUM). From highs of $114B to hopefully stabilizing and moving up from July's $38.4B. The current mix of higher retail FUM, although the more sticky segment of the market, is one that requires a higher management fee to service.

The progress made in the business is reflected in several impressive client wins, with Airlie seeing success in both retail and institutional channels and the infrastructure strategy seeing a recent institutional client win. These successes highlight the benefits of a diversified investment offering across the business. Adjusted net profit after tax for the year was $177.9 million, a 2% increase from FY23, with adjusted diluted earnings per share of 98.2 cents. The statutory net profit after tax for the year rose to $238.8 million, up from $182.7 million in FY23. Despite management fees in the Funds Management business being down 22%, as a result of lower average FUM, the business generated increased performance fees in Global Equities. Additionally, after-tax profits from associates were encouraging, with MFG's share of profits reaching $11.0 million, a material improvement from the $11.5 million loss in FY23.

Changing its USA distribution management to a team solely focused on the Magellan group and also looking to set up operations in Europe in the next 12 months are signs that there will be renewed focus on attracting increased institutional inflow.

The Company, while confident that FUM is on an upward trend, emphasises that the quality of its financial results is more important than the actual FUM number.

No figures are being revealed on the new relationship with Vinva. Firstly, by distributing Vinva's products in Australia, MFG will receive ongoing distribution fees and as a 30% owner of Vinva, Magellan will receive a share of profits and dividends. Overall, the Company expects a high double digit return on their investment.

ASA is a firm advocate for the holding of hybrid AGM's to allow shareholders who are not able to attend the ability to ask questions and vote during the meeting. Magellan has elected to hold a physical meeting with no external interaction during the meeting. As an incentive to attend in person, a variety of fund managers and analysts will be made available to answer shareholder questions after the meeting. We look forward to discussing with the Company afterwards the success or not of this approach.

Financial performance

(As at FYE)	**2024**	**2023**	**2022**	**2021**	**2020**
NPAT ($m)	239	183	383	265	396
UPAT ($m)	178	174	401	413	438
Share price ($)	8.42	9.49	12.92	53.86	58.01
Dividend (cents)	65.1	116.7	179.0	211.2	214.9
Simple TSR (%)	-4.41	-17.5	-72.7	-3.5	12.3
EPS (cents)	131.8	100	203.9	144.6	218.3
CEO total remuneration, actual ($m)	3.6**	3.0*	1.78	2.3	1.5

Simple TSR is calculated by dividing change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Mr. George FAR + Cash Bonus + Sign on Plus Mr. Formica's FAR.

**Mr. Formica's FAR + Compensation for lost bonus. Mr. George FAR+ Termination + LTI - Retention clawback.

Governance and culture

One of the major concerns for a number of staff were the loans that they had taken out from the Company to fund the apparently generous staff purchase scheme. Unfortunately, the unforeseen dramatic fall in the share price upon Hamish Douglass' departure left them holding significant loans that have to be repaid on shares that were well under water. The Company decided to remove this financial burden for many by setting up a retention bonus scheme so that the incentives, earned by most by FY2025, but by some until FY2027, will be applied to extinguish this debt.

As the Company only wants to use its funds to reward those who are current employees those who left or leave before their retention period expires will be liable for the borrowing. Currently there appears to be a positive response among staff to this scheme, however the reaction from those who still have to pay out loans will be seen in coming years.

The difference between the face value of SPA loans and the aggregate value of MFG shares, options and dividends is $14,786,000 (June 2023 $15,406,000).

Due to restructuring and realignment there has been a significant change in staff, moving from 135 on June 2022 to 109 at June 30 2024. Change is continuing with two former KMP leaving this year. Rebecca Smith on September 30 and Marcia Venegas by the end of the calendar year. It is hoped that all this movement will result in a more stable environment, however this is yet to be reflected in staff surveys.

After considerable upheaval and change in the last 3 years one of the key tasks of the Board and the new CEO is to improve employee engagement from its low 55 to, at a minimum, high 70's.

It is important that Directors are aligned with shareholders and the most visible way to do this is by holding equity. ASA preference, and now achieved by many in the ASX 200, is that within three years of joining the Board, a director has purchased shares equivalent to one year's remuneration. It is hoped that Magellan will quickly adopt this approach and move away from the current lack of a formal requirement for board shareholding.

Key events

Key board or senior management changes

Hamish Douglass' involvement, outside of being a large shareholder, is as a consultant to the investment team, for which he is paid $200,000 a year.

After a revolving CEO door since Hamish Douglass' departure, Andrew Formica temporarily stepping in as executive Chair is seeming to bring new focus to the business and creating structural change. However, hiring Sophia Rahmani as CEO, starting May 2024 as Managing Director of the asset Management business, but not moving her to CEO of the Magellan Financial Group for up to a year, seems to be a long bedding in period for an experienced operator. It is hoped that by the end of the calendar year the Board will be confident that Ms. Rahmani can lead in her own right.

Sustainability/ESG

Pages 93 through to 106 is what appears to be a very comprehensive Corporate Sustainability and Responsibility Report. As much of this is a new development for Magellan it will be important to examine it in future years to see if the promising start continues and bears results.

4. Rationale for Voting Intentions

Resolution 2 Adoption of Remuneration Report (For)

Last year's resounding vote against the Remuneration Report spurred the Company into creating a proper Remuneration structure. There is some way to go, but it is a very promising start.

STI

The basic concept of 50% financial and 50% non-financial is good. As is the fact that 50% of this bonus will be paid in Equity deferred over two years, increasing to three years in 2026. The question is to determine if a STI is a real bonus or simply a mechanism for increasing Fixed Annual Remuneration (FAR). To make this judgment we have to firstly see the criteria. However, Magellan has not revealed them, stating that some are commercially sensitive. An assertion that we do find difficult to accept.

LTI

The LTI is relative Total Shareholder Return (rTSR) based on a comparator group. This is a good measurement, but it is always questionable if one measurement alone is fair to either the executives or the shareholders. There are many potential second measurements that can be used. The measurement period for this award is 3 years whereas ASA believes to be truly long term it should be a minimum of 4 years.

As this is a big step forward, albeit with more to do, ASA will be voting for the remuneration report. The deciding factors were two aspects of the Remuneration scheme, whose absence caused us concern when reading the Annual Report (AR) and Notice of Meeting(NOM). Both of these aspects should have been covered in the AR but weren't. Firstly there was no list of the companies that were to form the comparative list for the LTI measurement. We have now been shown the list which was shared earlier with other interested external parties.

Secondly, we were concerned that only the 2 executive KMPs would be covered by this new structure and the rest of management and employees would paid bonuses depending on some undefined whim. Again, we were assured that the rest of management and senior employees, while not having the exact same criteria, would be assessed on the same remuneration structure.

ASA is usually opposed to retention schemes but supports the concept of matching shares up to $10,000 bought by employees, with the ownership of these shares vesting in the employee after two years. But we believe both the employee shares and the matching ones should be purchased online.

Resolution 3(a) Re-Election of Catherine (Cathy) Kovacs (also known as Catherine Stanton) (For)

Cathy Kovacs was originally appointed to the Board on 6 November 2023 and elected at the Company's AGM on 8 November 2023. Ms Kovacs has 30 years' broad experience across the financial services sector including senior leadership roles at BT Investment Bank, Macquarie Group, Ellerston Capital and Westpac Banking Group. In her last executive role, she was Head of Business Development, Group Strategy and Mergers and Acquisitions at Westpac Banking Corporation.

M. Kovacs is a Non-Executive Director of HUB24 (appointed July 2021), and OFX (appointed February 2021. She holds 12,400 shares in MFG which is good alignment with shareholders after only 1 year and it is hoped that there will be further purchases this year.

The Board supports Ms Kovacs' re-election as it considers that her deep experience in the financial services industry and proven capacity for strategic thinking in rapidly changing environments deepens and complements the Board's existing skills and expertise. Directors recommend voting for Ms Kovac's re-election.

ASA will follow the Board's assessment and vote our undirected proxies in favour of Cathy Kovac's re-election.

Resolution 3(b) Re-election of David Dixon (**For**)

Mr David Dixon was originally appointed to the Board on 15 December,2022. Mr Dixon has over 30 years' experience in leading and growing investment businesses within the funds management industry. Until 2020, Mr Dixon was Chief Investment Officer, Equities at First Sentier Investors (formerly Colonial First State Global Asset Management) ("FSI"). In this role, Mr Dixon was responsible for the Australian based equity teams managing domestic and international equities. He also was responsible for the global equities dealing teams in Australia and overseas. Mr Dixon is currently a Non-Director Member of the Aware Super Investment Committee (appointed January 2021).

Mr. Dixon recently purchased 3,000 shares, this is a low number after 2 years on the board and we will be asking him at the AGM to increase his shareholding substantially.

The Board supports Mr Dixon's re-election as it considers that he will continue to apply his extensive experience within the funds management industry to benefit the Company.

Although ASA will be questioning Mr. Dixon on his low shareholding not aligning with shareholders we will follow the Board's recommendation and vote our undirected proxies in favour of his re-election.

Resolution 4 Approval of grant of Performance Rights and Restricted Shares to Ms Sophia Rahmani under the Magellan Financial Group Equity Plan (For)

This resolution is for the granting of 93,389 performance rights ("Performance Rights"), to the value of A$850,000, which is equivalent to 100% of Ms Rahmani's base salary.

Plus 285,388 restricted shares with a total value of A$2,500,000, that will vest on 31 December 2026 ("Vesting Date"), to compensate Ms Rahmani for the loss of incentive opportunities from her former employer ("Forfeited Award Bonus Shares").

10,665 restricted shares to compensate her for the FY24 full year dividend on the Forfeited Award Bonus Shares.

The restricted shares were announced at the time of Ms Rahmani's appointment. They will be issued to her immediately and will vest as ordinary shares on December 31, 2025 provided Ms. Sophia Rahmani is still in the employ of the Company.

The Performance rights will vest as no cost ordinary shares in three years' time in total, or in proportion, depending on the outcome of the LTI measurement.

Resolution 5 Approval of the Magellan Financial Group Equity Plan (For)

This plan includes the introduction of a long-term incentive plan for executive key management personnel and other key executives, as well as a one-off equity grant to employees (excluding executive KMP and the senior management team) and a Matching Plan under which eligible employees may purchase shares in the Company ("Purchased Shares") that are "matched" by the Company at the end of two years ("Matched Shares").

Although ASA believes that the LTI should be for 4 years and have two criteria we intend to vote in favour of it.

Although we in general don't like retention plans, we think the matching shares plan is a useful approach.

The concept of making one-off equity grants to either new employees or non KMP personal can be something that is required from time to time. However, the payments must be carefully scrutinised.

As our preference is that all the equity is purchased on market, it is with some hesitation that we will vote our undirected proxies in favour, while noting in the future we will carefully review the operation of this plan.

Resolution 6 Spill Resolution – Conditional Resolution (Against)

The spill motion is voted on if for a second time more than 25% of the shares voted are cast against the Remuneration Report. As ASA will be voting their undirected proxies in favour of the Remuneration Report we will be voting against this resolution, if necessary.

Appendix
CEO Sophia Rahmani Remuneration for the 2025 year

CEO rem. Framework for FY25	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	.850	18.3%	.850	18.3%
STI - Cash	.425	9.15%	.425	9.15%
STI - Equity	.425	9.15%	.425	9.15%
LTI	.850	18.3%	.850	18.3%
RESTRICTED EQUITY	2.1	45.1%	2.1	45.1%
Total	4.65	100.0%	4.65	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration frameworks set a maximum opportunity amount, but not all.