

# Quarterly Stocks in Focus

Magellan Sustainable Fund (Managed Fund)

Ticker: MSUF

AS AT 30 JUNE 2023

Investing with Magellan gives you  
easy access to outstanding global companies

**Alphabet** Alphabet generated US\$283 billion in sales in fiscal 2022, the majority from Google Search, which represents about 90% of the global search market ex-China. Alphabet's Android is the dominant mobile operating system as it has more than 2.5 billion devices and over 80% global market share. The majority of Android devices are preloaded with Google's services. Nine of these – Search, Maps, YouTube, Chrome, Android, Google Play, Gmail, Drive and Photos – service more than one billion users a month. Google Cloud Platform, which generated more than US\$26 billion of revenue in fiscal 2022, is one of the few hyperscale enterprise cloud businesses globally.

### Brands



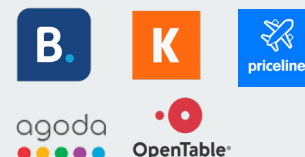
**amazon** Amazon.com is a cloud-computing and retail giant that generated almost US\$514 billion in revenue in fiscal 2022. Amazon's AWS arm, which generates the majority of group profit, is the leading global hyperscale cloud platform with about 43% market share ex China. The Retail segment, which generates the majority of revenue but <30% of group profit, is a dominant e-commerce platform comprising a commerce marketplace, third-party fulfilment and logistics services, a digital advertising business, and subscription services. Amazon's leadership in e-commerce is sustained by strong network effects, a vertically integrated fulfilment and logistics capability unparalleled by peers, and a highly sticky customer loyalty program in Prime.

### Brands



**BOOKING HOLDINGS** Booking Holdings generated \$17.1 billion in revenue in fiscal 2022. Booking Holdings is the world's leading provider of online travel and related services, provided to consumers and local partners in more than 220 countries and territories through six primary consumer-facing brands: Booking.com, Priceline, Agoda, Rentalcars.com, KAYAK and OpenTable, as well as through a network of subsidiary brands including Rocketmiles, Fareharbor, HotelsCombined, Cheapflights and Momondo.

### Brands



**DOLLAR GENERAL** Dollar General Corporation is a leading American discount retailer. Headquartered in Goodlettsville, Tennessee, Dollar General has more than 19,000 stores across 47 U.S. states and Mexico. Dollar General's stores deliver everyday low prices on items including food, snacks, health and beauty aids, cleaning supplies, basic apparel, housewares, and seasonal items, generating US\$37.8 billion in sales in fiscal 2022.

### Brands



**Meta** Meta is the world's largest social media company, with more than 3.7 billion users across the world interacting with at least one of its Facebook, Messenger, Whatsapp and Instagram platforms each month. Meta generated more than US\$117 billion in revenue in fiscal 2022, the vast majority of which came from selling advertising, primarily on user 'Feeds'.

### Brands





Microsoft is the world's largest software company, with US\$198 billion of sales in fiscal 2022. As well as being a leading provider of business applications, infrastructure software and PC operating systems, Microsoft has established itself as a global leader in cloud computing outside China, and is pursuing further opportunities in artificial intelligence. Companies around the world are shifting to the cloud and Microsoft is a beneficiary of this major trend. The company also owns consumer franchises in areas like search and gaming.

### Brands



Nestlé is the world's largest food and beverage manufacturer. In 2022 it generated approx. 95 billion Swiss francs, representing 8.3% year-on-year organic growth. The company derives almost half of its revenues from attractive, structural growth categories such as branded coffee and pet food where it retains leading market share relative to peers in most major geographies. The company owns 31 mega-brands, such as Nescafé, Nespresso, Purina, Coffee mate, Maggi, and KitKat, each of which generate global retail sales of more than 1 billion Swiss francs every year. The company's brands are sold in over 186 countries, with major geographic revenue exposure from Emerging Markets (42%), the U.S. (32%), and Europe (24%).

### Brands



Novartis is a leading global pharmaceutical company engaged in the research, development and marketing of innovative pharmaceutical products. The Swiss-based company, which earned US\$51 billion in revenue in fiscal 2022, is a global leader in key therapeutic areas including immunology, targeted oncology, neuroscience and cardiology. Following recent simplification initiatives, Novartis controls a world-class and diversified Innovative Medicines business. Novartis has announced its intention to spin-off its Sandoz subsidiary, which is a leading manufacturer of generic and biosimilar pharmaceuticals.

### Brands



SAP is a leading provider of enterprise application software with over €30 billion of revenue generated in 2022. SAP's software is used to run the businesses of over 400,000 customers around the world, including over 90% of the Forbes Global 2000. The company has expanded into cloud software, which contributes nearly half its total software revenue, and this is expected to rise as customers modernise their digital technology.

### Brands



develops, operates, franchises and licenses more than 55,000 restaurant across 156 countries under the brands of KFC, Taco Bell, Pizza Hut and The Habit Burger Grill. Its brands are global leaders in the chicken, Mexican-style food and pizza categories and generated US\$7 billion in revenue for the company in fiscal 2022. The company has over 26,000 stores in fast-growing emerging countries, including 12,000 outlets in China that are operated under license by Yum China, which was spun off from Yum! Brands in 2016.

### Brands



# MAGELLAN

Magellan Asset Management Limited ('Magellan') are experts in global investing and invest in a portfolio(s) of outstanding global companies with the aim to grow and safeguard the wealth of clients.

Magellan has a highly experienced team of investment professionals that oversees over A\$39 billion\* in clients assets.

\*As at 30 June 2023

## Why global investing?

A key question for many Australian investors is whether or not they should have the vast majority of their equity investments in Australian shares when 97% of the world's listed companies are found overseas. Clearly, by having limited exposure to global equities, Australian investors are restricting their investment opportunities. To benefit from the key investment trends that are likely to prevail over the next decade and beyond, we believe investors will need to boost their exposure to global businesses. Some of the key trends that we expect to be powerful forces in the years ahead include cloud computing, digital platforms, e-commerce, the cashless economy, the reach of global brands, the Chinese consumer, driverless cars, healthcare for an ageing population and artificial intelligence.

At Magellan, we invest in a concentrated portfolio of what we consider as the world's best businesses that are positioned to thrive in the years ahead.

## PROTECTING INVESTOR CAPITAL

At Magellan, we believe that conservative investors sleep well. All our investments are made in accordance with our investment philosophy, that is, to invest in outstanding businesses that have attractive underlying business economics because they are protected by sustainable long-term competitive advantages, or in Warren Buffett's words, an "economic moat". In our opinion, investing in terrific businesses at appropriate prices is a low-risk investment style and will produce more certain investment returns over time than many other approaches. The core of our investment philosophy is to minimise the risk of a permanent capital loss. We seek to construct our investment portfolio with a meaningful margin of safety and with risk characteristics that we believe should enable the portfolio to have materially less downside in the event of large market corrections.

## Magellan's Sustainable Fund

Magellan's Sustainable Fund provides investors with a high quality, absolute-return focused portfolio with materially lower carbon factor risk than global markets. Magellan believes it is highly likely that political and societal efforts to address climate change risks, as well as technological innovation, will lead to material adverse and discontinuous impacts to large swathes of industries associated with greenhouse gas emissions.

### The Fund's proprietary process implements the following overlays:

1. Company emissions cap of around 300 tonnes per US\$1m revenue. The cap is set having regard to globally agreed climate goals (i.e. maximum 2 degrees Celsius temperature increase).
2. Portfolio emissions cap of around one-third of The MSCI World Index.
3. Exclusion of any company engaged in the extraction of fossil fuels, or have material exposure to energy generation using fossil fuels, or material exposure to transportation or storage of fossil fuels. Companies whose core product is inextricably linked to fossil fuels and faces an existential threat from climate change are also excluded.

The caps and exclusions applied by the Magellan Global Sustainable Strategy set a very high standard compared to global equities benchmarks. Magellan believes this is appropriate given the magnitude of the risks associated with climate change and the ambitious nature of globally agreed climate goals.

Magellan's investment team conducts detailed due diligence on companies' exposures under the caps and exclusions to verify their low carbon status. As a signatory of CDP's climate change program, MFG has access to detailed climate change reports and data on companies. Magellan is a signatory of the United Nations Principles for Responsible Investment (UNPRI). Magellan is a member of the Investor Group on Climate Change (IGCC) and the Net Zero Asset Managers initiative (NZAMI).

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