Magellan Financial Group Ltd

Regain trust, restore value

June 2023

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Company overview

- Magellan Financial Group Ltd (**Magellan** or **MFG**) was established in 2006 and became a leading asset management franchise in Australia, especially among retail investors and independent financial advisers
- By 2018, Magellan was one of the most widely recognised asset management brands in Australia
- Magellan devised and delivered innovative financial product structures, including active ETF products
- Credit is due to its founders, Chris Mackay and Hamish Douglass
- Investment under-performance emerging from the COVID-19 pandemic and personnel changes led to a loss of confidence and substantial outflows
- Now a fallen angel, Magellan is at a cross-road
- Magellan remains highly cash generative and is endowed with substantial excess cash and non-operating assets

MFG share price

Source: Bloomberg

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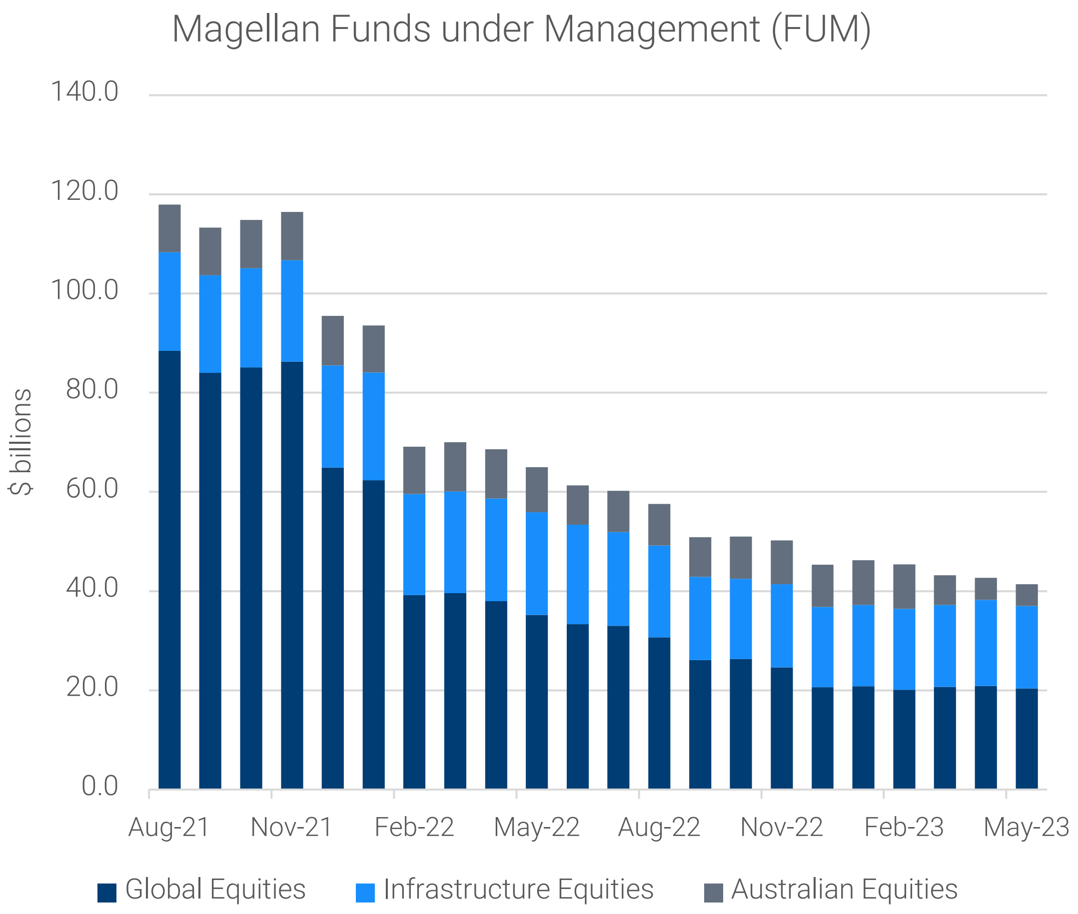
Company overview

- MFG specialises in three classes of listed equity investments:
  - Global Equities
  - Infrastructure Equities
  - Australian Equities (via Airlie)
- Global Equities FUM has suffered the largest decline from ~$88 billion in 2021 to ~$20 billion
- Australian Equities FUM has fallen from ~$9 billion to ~$4 billion
- Infrastructure Equities FUM has remained relatively stable since 2021

$A billion	FUM as at 31 May 2023
Retail	18.4
Institutional	23.0
Total FUM	**41.4**
Global Equities	20.4
Infrastructure Equities	16.6
Australian Equities	4.4



Sources: MFG ASX Releases. FUM data is up to 31 May 2023

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Company overview

- While perceptions of Magellan might be negative, all MFG strategies have comfortably outperformed their benchmarks since inception
- We consider Magellan remains a quality investment manager
- COVID-era performance of the Global Equities strategy was disappointing, however changes have been made to the investment team and risk parameters have been refined to address this
- The Infrastructure investment team and the returns they have generated compare favourably to global competitors
- The Australian Equities team has delivered exceptional short- and long-term performance

Strategy	1 year	3 years (p.a.)	Since Inception
Global Equities	14.0%	4.2%	10.7%
Benchmark	*13.1%*	*11.9%*	*7.4%*
Outperform	✓	✗	✓
Infrastructure Equities	-6.4%	3.6%	7.0%
Benchmark	*-6.6%*	*7.9%*	*5.1%*
Outperform	✓	✗	✓
Australian Equities	5.5%	14.6%	9.7%
Benchmark	*2.9%*	*11.4%*	*7.5%*
Outperform	✓	✓	✓

Sources: Magellan website, performance is as at 31 May 2023
Notes: Global Equities is represented by Magellan Global Fund Open Class units
Infrastructure Equities is represented by Magellan Infrastructure Unlisted Fund
Australian Equities is represented by Airlie Australian Share Fund
Refer Appendix 1 for details of each Benchmark

Investment thesis

- Magellan is deeply undervalued and misunderstood by the market
- Magellan has lost the trust of both its shareholders and the investors in its funds. This loss of trust is demonstrated by:
  - Significant net outflows, especially from the Global Equities strategy
  - A share price that has lost almost 90% of its value since early 2020
- Whilst Magellan's reputation has been tarnished, we do not believe it beyond repair
- Managing other people's money is about trust
- Investment performance is the best, most cost-effective means of regaining that trust and growing funds under management
- Magellan shares now trade at meaningful discounts to both its peers and our assessment of its intrinsic value

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Investment thesis

- Magellan's current market value is underpinned by a significant amount of non-operating assets
  - excess cash, fund investments and investments in associates
- On a mark-to-market basis, we estimate these assets are worth more than $1.1 billion

($m)	31-Dec-22	Mark-to-market (MTM)	MTM $ per share
Cash[1]	352.5	352.5	1.94
Investments in Magellan Funds[2]	376.1	416.2	2.29
Associate – Finclear	27.6	27.6	0.15
Associate – Barrenjoey[3]	126.2	327.6	1.81
Total	**882.4**	**1,123.9**	**6.19**
Current Market Cap [4]		1,479.3	8.15
Implied value of the funds management business		355.4	1.96

- As shown, the market is imputing little value in the company's share price for the funds management business

Sources: MFG Half year report to 31 December 2022, various Magellan ASX Releases, Sandon Capital analysis
1. Assumes that the cash outflow for the 1HFY23 dividend has been replenished by operating cash flow generated in 2HFY23. MFG is required to maintain regulatory capital in the form of cash. We estimate this is currently ~$60m.
2. Based on unit/share prices at 31 May 2023.
3. Based on the value implied by Barclay's' May 22 purchase of an additional 8.3% stake in Barrenjoey's for $75 (~$900m) https://www.asx.com.au/asxpdf/20220518/pdf/4592x4wmb9f1fn.pdf
4. MFG closing share price as at 13 June 2023. The value of all assets is before any applicable tax

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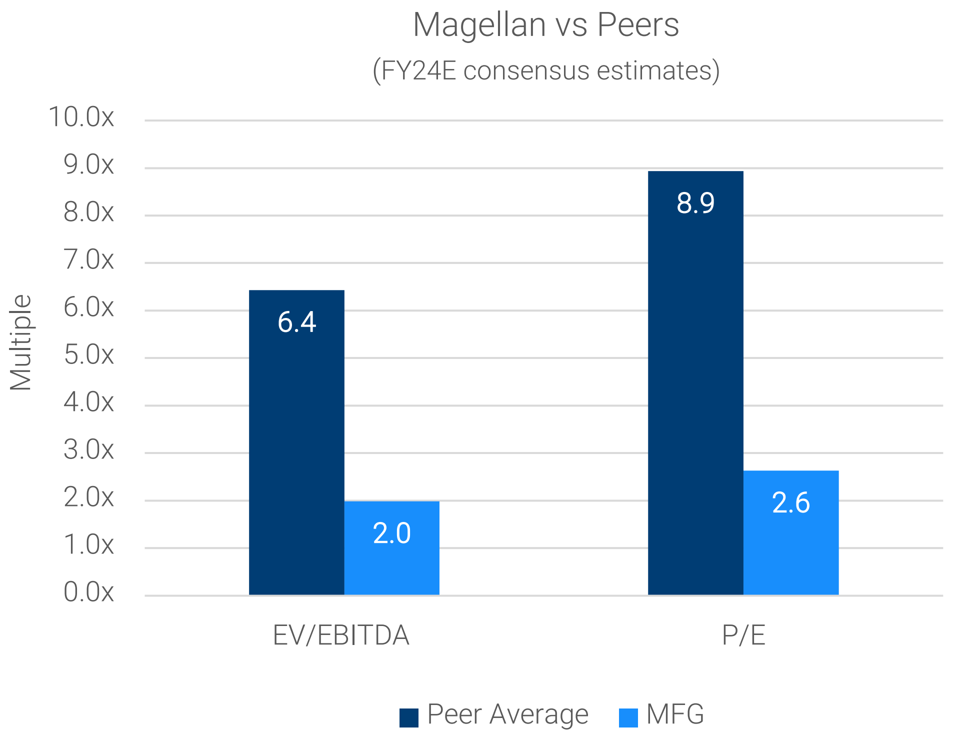
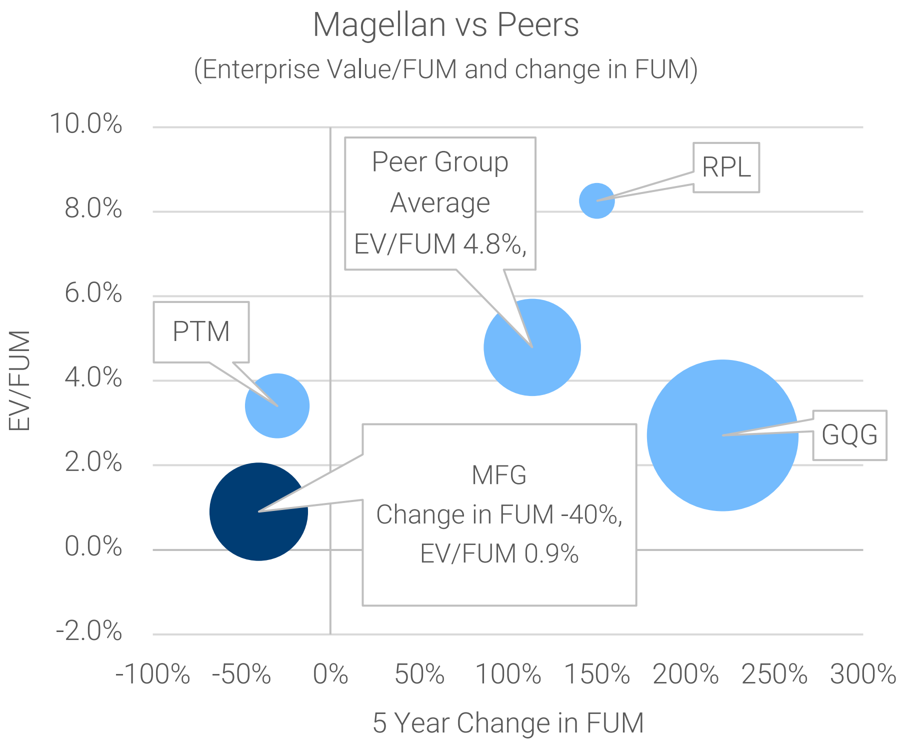
Investment thesis

- Magellan is cheap, both in absolute terms and relative to its peers





Note: Selected peers are GQG Partners, Inc (GQG)., Platinum Asset Management Ltd (PTM), Regal Partners Ltd (RPL). Bubble size represents relative FUM size.
Sources: Bloomberg market and consensus estimate data, ASX announcements for selected peers, Sandon Capital analysis. Change in FUM is measured from 30 June 2018 to 31 May 2023, except for GQG, which is from 30 June 2019 and RPL which is from 2017 using predecessor data for VGI and Regal, which merged in June 2022. See Appendix 3 for more detail.

Investment thesis

- In our opinion, Magellan's ambitions to return to $100 billion in FUM within 5 years pose significant risks to Magellan shareholders:
  - We consider these ambitions may be used to justify maintaining an unsustainable cost base
  - New product launches and acquisitions often do not succeed
  - Magellan is yet to demonstrate that it can change negative perceptions, viz continued outflows
- In our opinion, there are 5 simple things Magellan should do:
  1. Return excess capital to shareholders
  2. Prioritise the existing business
  3. Review the cost base
  4. Provide further Share Purchase Plan (SPP) relief
  5. Accelerate Board renewal and improve Board diversity

Investment thesis

- Together, we believe these initiatives:
  - Optimise Magellan's lazy balance sheet
  - Address the concerns of investors in Magellan funds
  - Improve employee morale, through addressing the ill-conceived SPP
  - Board renewal will provide for new opinions and perspectives not anchored to Magellan's past
  - Establish a sustainable basis for medium- and longer-term shareholder returns
- If the Board is prepared to adopt our recommendations, we expect the market price and value of Magellan shares should improve significantly. A number of factors should drive this change:
  - Returning capital will provide shareholders with some shorter-term benefits, including from buying back undervalued shares
  - Reducing the cost base will sustainably improve the earnings power of Magellan
  - Improved shareholder sentiment once new product launches and possible acquisitions are ruled out

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Investment thesis

- We calculate that Magellan shares could be worth between $11.79 and $15.29 per share
- This represents 45% - 88% upside to the current market price[1]
- These higher estimates are based on certain assumptions regarding stabilised FUM and cost-to-income ratios
- These scenarios do not include the benefits of any capital management initiatives
- These scenarios also assume base- and high-case long-run returns in each asset class

($m unless otherwise stated)	Low	Base	High
Average FUM ($bn)	39.2	44.5	49.3
Average Management Fee	0.50%	0.60%	0.65%
Revenue	196.2	267.3	320.7
Cost-to-income ratio	44%	35%	25%
Sustainable EBITDA	109.9	173.7	240.5

	Low	Base	High
EV/EBITDA multiple	5.0	6.0	7.0
EV	549.5	1,042.4	1,683.8
Add:			
Net Cash	332.8	325.7	320.4
Financial Investments	416.2	416.2	416.2
Associate Investments	153.8	355.2	355.2
Total Equity Value	**1,452.4**	**2,139.6**	**2,775.7**
per share ($)	8.00	11.79	15.29

1. All market prices are closing prices on 13 June 2023, unless otherwise stated

Source: Sandon Capital Analysis
Net cash excludes estimated regulatory capital requirements

1. Return excess capital to shareholders

- Funds management businesses are capital light and can be highly cash generative
- Magellan holds significant capital in excess of its needs. We estimate the value of these holdings exceeds $1.1bn
- This epitomises a bloated, inefficient balance sheet that distorts returns and market perceptions of value.
  - Markets do not recognise, nor reward, this excess capital
- We consider Magellan should instead aim for a lean, efficient balance sheet
- We estimate there is approximately $300 million of capital that could be returned to shareholders before the end of 2023. This could be funded by excess cash and redeeming certain Fund Investments
- Further, significant capital management could be undertaken in 2024 and beyond
- In our view, the return of excess capital to shareholders has a number of benefits including significantly improving Magellan's return metrics
- It would also reduce the temptation for the Company to make acquisitions, or for a strategic acquirer to make an opportunistic (and potentially self-funding) offer for the Company

1. Return excess capital to shareholders

- What we propose is not revolutionary. Magellan has previously articulated exactly the same thesis

Ongoing Capital Requirements

- Magellan has built up significant capital over the past 12 years (net tangible assets as at 30 June 2018: $515 million)
- The Board has undertaken a review of the ongoing capital requirements of the Group and has concluded:
  - Magellan has a very strong balance sheet
  - Our business is capital light and requires limited capital to support its business and to grow organically
  - There are numerous organic growth opportunities and Magellan has sufficient capital to support these initiatives
  - Magellan can recycle capital from its Principal Investments to seed new funds and strategies
  - Excess capital materially above what is needed to support and grow the business is unlikely to be valued by the market
  - The Board has revised the dividend policy to increase the payout ratio

Magellan | 4

this is the predicament Magellan faces now

Source: MFG FY18 Financial Results Presentation

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1. Return excess capital to shareholders

- Our estimate of~$300 million for short term capital management comes from:
  - At least $95 million in cash that is surplus to Magellan's short-term needs
  - At least $200 million from redeeming some excess Fund Investments[1]

Estimated Surplus Cash	($m)
Cash as at 31 Dec 2023	352.5
Less:	
Estimated Regulatory Capital	~53.0
Provision for MGF Option	~153.1
Provision for Final Dividend	~50.0
Estimated Surplus Cash	~96.4

Sources: MFG ASX releases, Sandon Capital Analysis

Conservatively, we have assumed cash as reported at 31 December 2023 having regard for operating cashflow earned during 2HFY23 and interim dividends paid. The MGF option provision is calculated as at 31 May 2023.

Estimated Value of Fund Investments	($m)
Magellan Global Fund Open Class (MGOC)	~165.7
Magellan High Conviction Trust (MHHT)	~39.8
Gross redemption proceeds	~205.6

Sources: MFG ASX releases, Sandon Capital Analysis

Estimated values as calculated using unit prices as at 31 May 2023 and unit holdings as last disclosed by Magellan. We have not estimated any tax that might be payable on disposal as the cost based for each of Magellan's Fund investments is not disclosed. Any applicable tax would reduce affect the net redemption proceeds.

1. Further medium capital management would be possible with the balance of Fund investments and in turn when Associate Investments realised.

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1. Return excess capital to shareholders

- The scale of Magellan's excess capital distorts market perceptions of its intrinsic value and significantly dilutes returns from the funds management business
- Reducing excess capital through the application of an aggressive capital management plan will likely assist in changing market perceptions and encourage a focus on the value of the funds management business
- It will also likely be highly accretive to Magellan's valuation and earnings per share
- For example, if 35 million shares were repurchased at an average price of $8.50, our valuation of Magellan shares would increase by between ~7% and ~10% and our estimates of earnings per share increase by nearly 24%

Per share values ($) unless otherwise stated	Base	High
Pre-buy back valuation	11.79	15.29
Post-buy back valuation	12.57	16.91
Increase	6.7%	10.6%
Pre-buyback EPS	0.64	0.90
Post-buyback EPS	0.80	1.12
Increase	23.9%	23.9%

Source: Sandon Capital Analysis

1. Return excess capital to shareholders

- The best investment that Magellan can make today is in its own shares
- Whilst we advocate for this short-term capital management now, further capital management opportunities will emerge over time. These include:
  - Reduced cash requirements as the MGF Options expire in 2024
  - Reduced regulatory capital
  - Further realisations of Fund Investments and, in time, harvesting Magellan's Associate Investments
- We recommend that the Company commission an independent strategic review to assess the merits of its Associate Investments
  - We are not advocating a short-term fire sale of these assets and note that the most recent capital raising by Barrenjoey implied a value significantly above the current carrying value in Magellan's accounts
  - Instead, clarity of the strategic merits of these investments will benefit both market and shareholder perceptions

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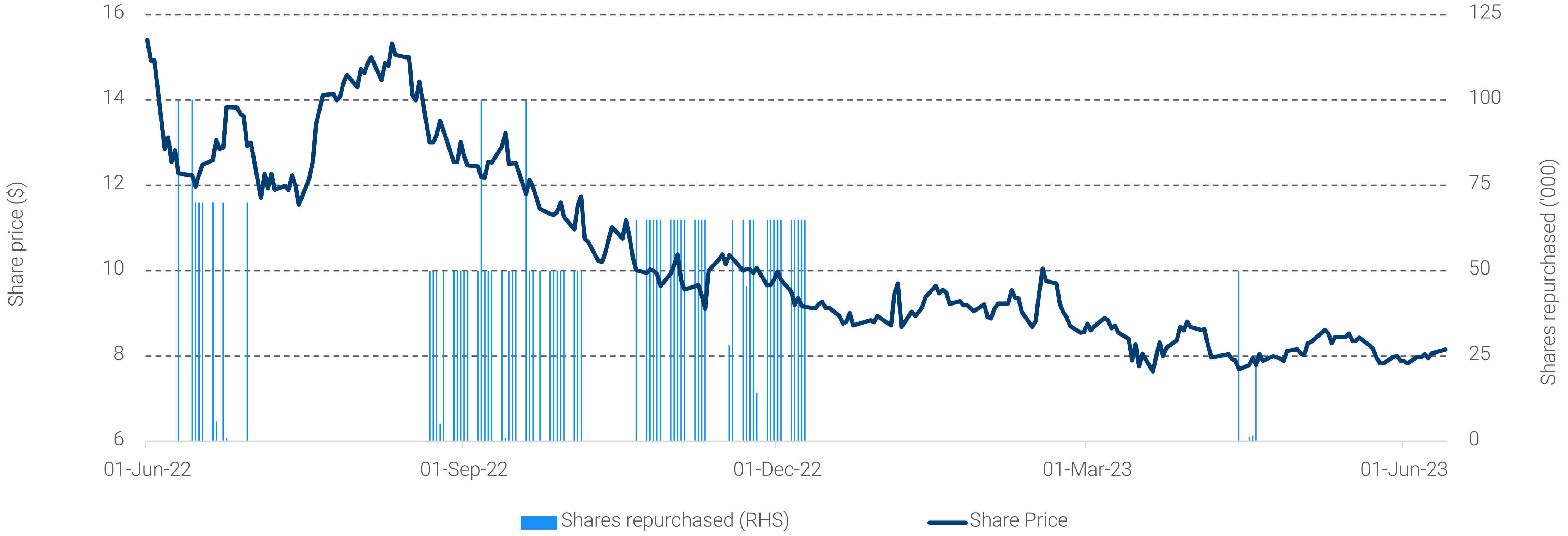
1. Return excess capital to shareholders

- The current on-market share buyback was announced in March 2022 and extended in April 2023. It seeks to buy back up to 10 million shares. After 15 months, only 4.2 million shares have been bought back
- Disappointingly, as the share price has fallen, the buyback has been largely inactive



Source: Bloomberg, MFG ASX releases, Sandon Capital analysis

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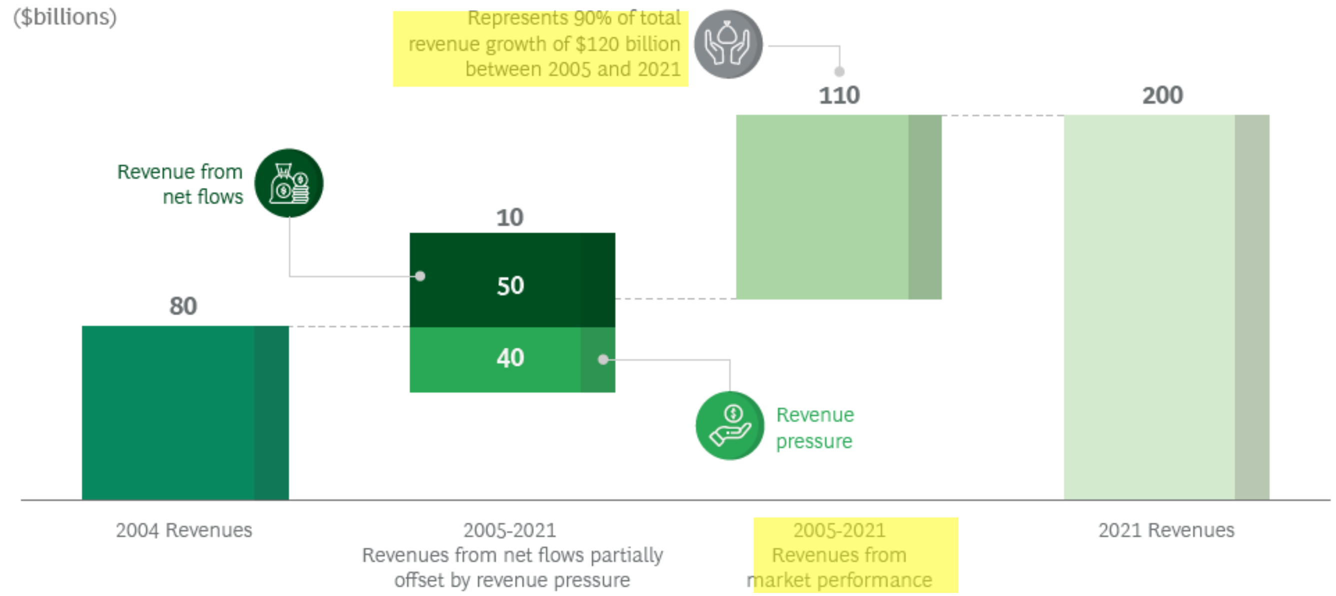
2. Prioritise the existing business

- Industry research by Boston Consulting Group shows the importance of performance as the key driver of revenue growth

Exhibit 3 - Market Performance Has Been the Key Driver of Revenue Growth



Sources: BCG Global Asset Management Market Sizing 2022; BCG Global Asset Management Benchmarking 2022.

Note: Approximated, rounded figures; revenue pressure includes impact of both shift in product mix and change in pricing pressure. Scope of the analysis is active core, active specialties, solutions and passives; it excludes alternatives.

Source: Boston Consulting Group, Global Asset Management 2022 – 20th Edition, "From Tailwinds to Turbulence", May 2022

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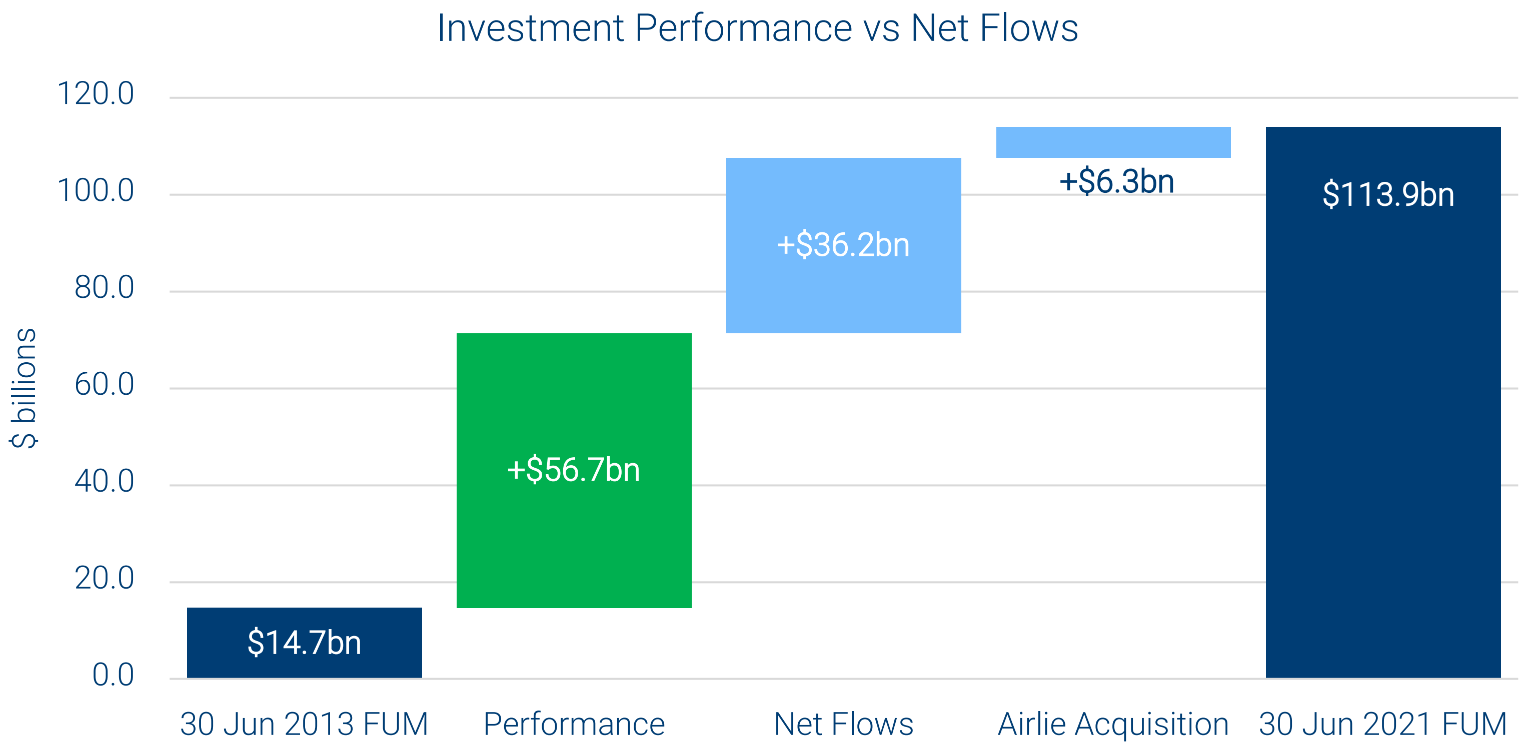
2. Prioritise the existing business

- Magellan's experience was no different. Investment performance was by far the largest contributor to its historic growth



Source: MFG ASX announcement, Sandon Capital Analysis

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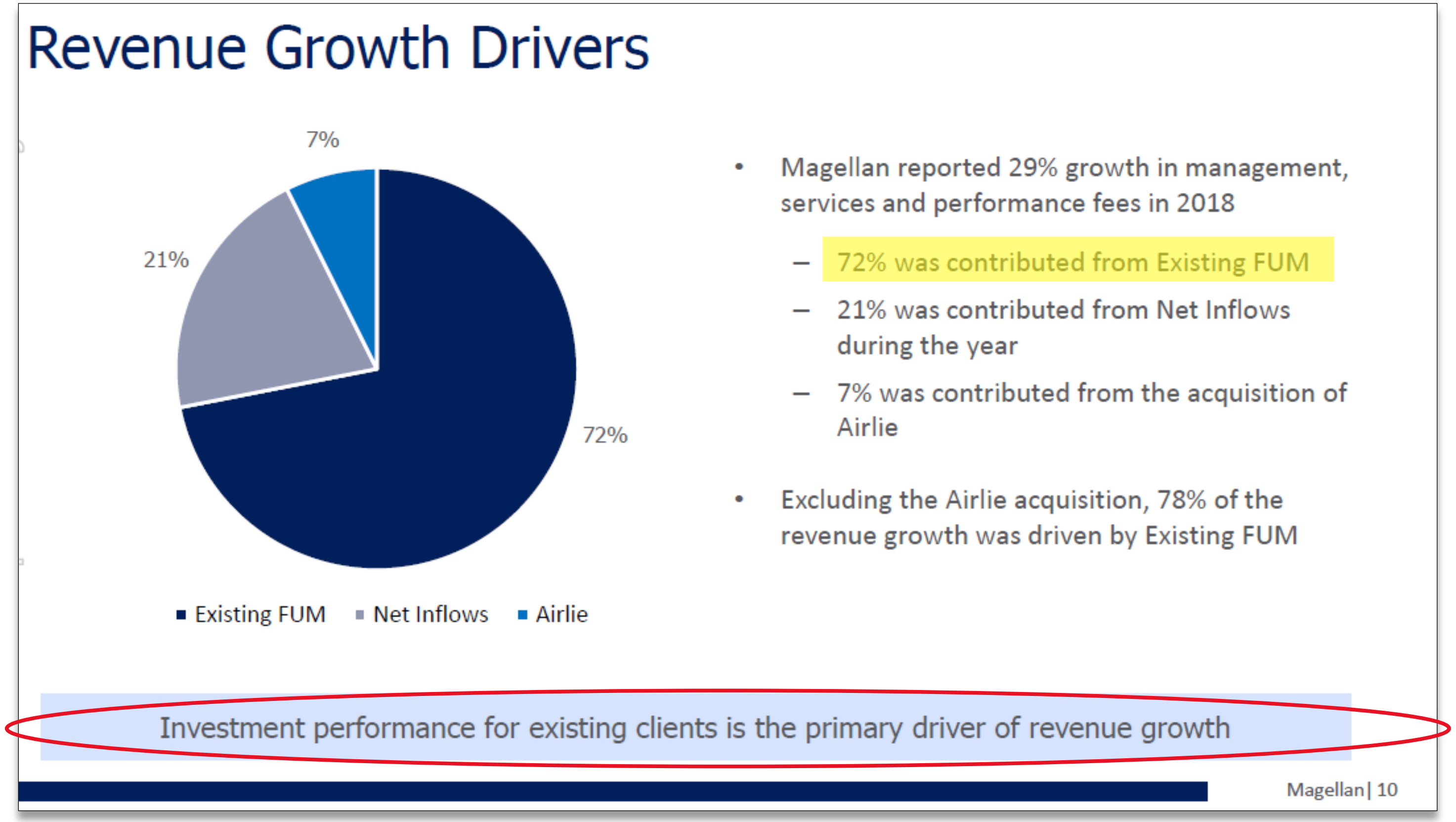
2. Prioritise the existing business

- Once again, what we are proposing is not revolutionary. Magellan has previously acknowledged this



Source: MFG FY18 Financial Result Presentation

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2. Prioritise the existing business

- The Magellan Global Equities portfolios have recently shown a return to a more faithful implementation of the Investment Philosophy that was so clearly articulated in the 2007 Annual Report
- Although it will take time, we believe that by returning to their roots, the Magellan Global Equities strategy will assist to regain the confidence of the investors and their advisers who invest in Magellan's Funds
- Improved performance will not only likely help to offset the continued outflows but more importantly will grow FUM more cost-effectively and with less risk than new products or acquisitions
- We believe Magellan must make good on its promises to existing investors. We consider the other parts of the current strategy, which look to deliver new "*offerings*" to the market and "*add[ing] new and complementary capabilities through inorganic opportunities*" detract from the need to focus entirely on existing investors [1]

1. Magellan Interim Results Presentation Half Year ended 31 December 2022

2. Prioritise the existing business

- New product initiatives are risky. Global evidence indicates that nearly two-thirds of all new products do not exist after three years.[1] In this regard, the Board need look no further than:
  - Magellan FuturePay, which was launched to much fanfare in 2021 and was closed in 2022
  - Magellan Sustainable Fund, which was launched in 2020. FUM currently stands at $8.3 million
- Magellan's acquisition record should also serve as a warning:
  - Airlie Funds Management had $6.3 billion in FUM when acquired, now it manages $4.4 billion. This occurred despite investment performance of its flagship fund exceeding its benchmark by more than 25% since inception[2]
  - Frontier/Frontegra Asset Management Inc. had US$2.0 billion in its funds in 2018. As of December 2022, it reported ~US$800 million in its funds[3]
- We consider that a corollary of prioritising the existing business is that Magellan must undertake a root and branch review of capabilities and costs

1. BCG Op.cit.
2. Source: Airlie Australian Share Fund net of fees and expenses, assuming reinvestment of distributions to 30 April 2023. Inception date is 1-Jun-18
3. Sources: Frontier 2018 Annual Report and 2022 Semi-Annual Report.

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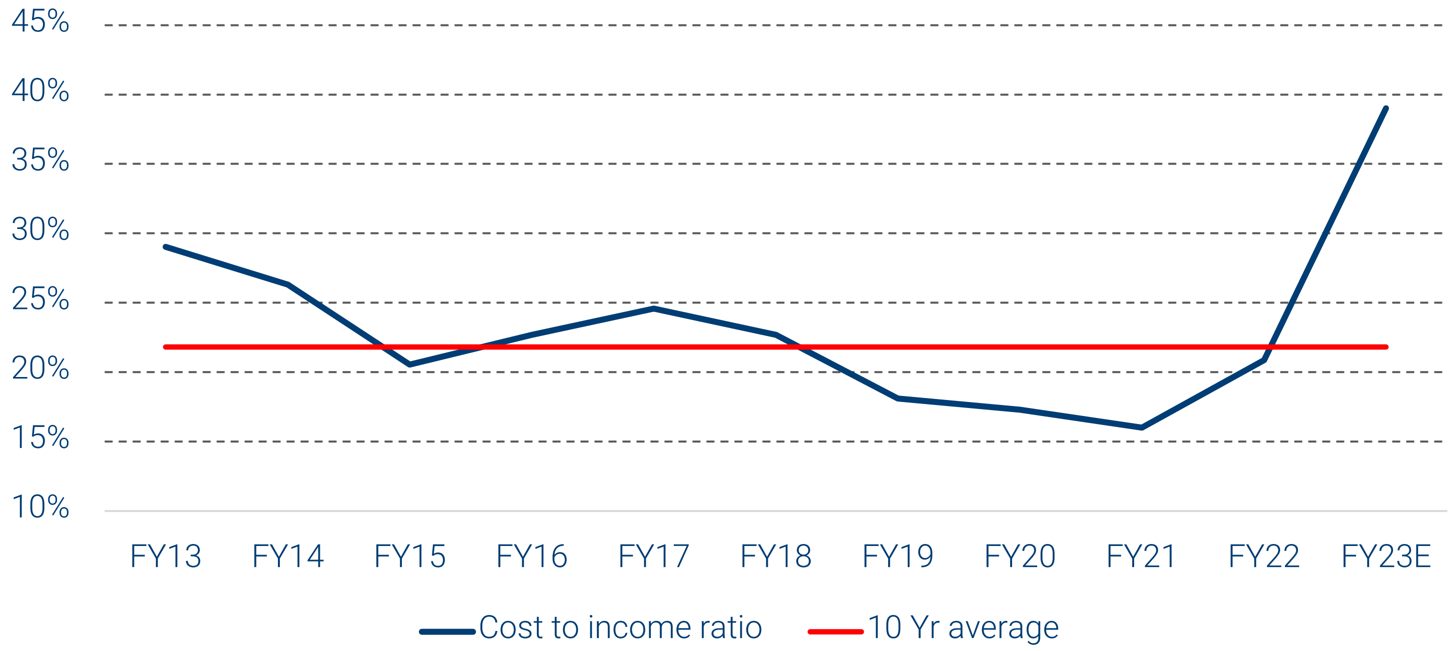
3. Review the cost base

- Throughout most of its life, Magellan was run with industry-leading cost metrics
- In the 10 years to 30 June 2022, the average cost-to-income ratio was an enviable 21.8%
- The current strategy will only detract from this enviable record



Source: MFG ASX Releases, Sandon Capital estimates and analysis

3. Review the cost base

- We consider the change from being a founder-led business to an agent-led one has had a significant impact on costs. This effect has been multiplied by the rapid decline in FUM
- The current costs guidance of $125-130 million combined with the decline in FUM suggests the FY23 cost-to-income ratio will likely reach 35%-40%
- This is a level not seen since prior to FY13 when average FUM was less than $10 billion
- We expect the cost-to-income ratio under the current strategy will increase again next year given the significantly lower starting FUM
- Based on the current FUM, we believe underlying expenses for the funds management business should be ~$100 million, excluding the staff cash retention payments
- By comparison, in the 2016 and 2017 financial years, when average FUM levels were similar to today, the expenses for the funds management business were $70-80 million

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3. Review the cost base

- Operational leverage can also work against a company
  - The current strategy presumes that plans for growth will absorb Magellan's current cost base – this is risky
- Management have guided to FY23 expenses of $125-$130m.
- If FUM remains stable at current levels ($41.4 billion) and costs are not reduced, the cost-to-income ratio approaches ~50%
  - This would be well in excess of comparable peers
- The last time FUM was ~$40 billion was in 2016, when cost-to-income ratio was below 30%
- Failing to address costs will have a significantly adverse impact on Magellan's earnings capacity

All figures in $m unless otherwise stated	2016	*Current Run Rate*
FUM ($bn)	40,495	*41,400*
Management Fee Revenue[1]	258.4	*269.1*
Total Expenses[2]	74.1	*127.5*
Profit Before Tax	259.7	*164.0*
Cost-to-income ratio	28.7%	*47.4%*

	Prospective MFG	MFG Historic Average	Peer Average
Cost-to-income ratio	~40%-50%	21.8%	29.2%

Sources: Magellan 2016 Annual Report, 2023 Half Year Report, Peers are GQG & PTM from FY22 Annual Reports, Sandon Capital analysis

1. management fee revenue assumes FUM remains constant and average fee revenue remains 0.65%. No performance fees are assumed nor any other income.
2. total expenses is the mid-point of current management expense guidance of $125-$130 million

Note: 2016 data is historic. Current run rate seeks to illustrate the effect of expenses on profits before tax. It is not meant to be a forecast. Management fee revenue does not include performance fees, other fees, dividends and distributions and other income. Cost-to-management fee income ratio aims to illustrate the cost dynamics of the funds management business. Actual results may differ.

3. Review the cost base

- If Magellan truly does pay close attention to its costs and has a cost-conscious culture, we would expect a significant reduction in the operating expenses for the funds management business in the 2024 financial year.
- The current cost base is that of a business with more than $65 billion in FUM, significantly above current levels. We do not consider Magellan can grow back to this level for some time

Expenses

- Cost to income ratio (excluding performance fees) of 21.3% during the period
- Significant headroom to invest in the business
- Funds Management business operating expenses in the range of $125-$130 million remain appropriate for 2023 financial year
- We continue to pay close attention to our costs and have a cost-conscious culture, however we recognise the importance of investing to support client-focused outcomes and with a view to growth

It is the last part of statement that concerns us most as this can be used to justify an otherwise unjustifiable cost base

Source: MFG FY22 Financial Result Presentation

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4. Provide further SPP relief

- An issue that we consider warrants immediate attention is the effect the Share Purchase Plan (SPP) might be having on employee morale
- As a scheme that was crafted when MFG shares were rising rapidly, we consider the SPP was a misguided attempt to create alignment between directors, staff and shareholders

Reconciliation of SPA Loans

	30 June 2022		30 June 2021	
	Number of shares	SPA loans $'000	Number of shares	SPA loans $'000
Opening balance at 1 July	**1,196,445**	**25,458**	950,469	15,289
Loan issuances	**566,503**	**15,029**	312,720	12,010
Modification adjustment	**-**	**(350)**	-	-
Imputed interest income/(expense)	**-**	**(233)**	-	1,128
Repayments - cash	**-**	**(3,120)**	-	(749)
Repayments - dividends (refer to note 19)	**-**	**(2,892)**	-	(2,220)
Expected credit losses[1]	**-**	**(375)**	-	-
Shares released on loan termination	**(384,594)**	**-**	(66,744)	-
Closing balance	**1,378,354**	**33,517**	1,196,445	25,458

[1] Reflects an allowance for potential loan defaults recognised in accordance with the measurement requirements of AASB 9 *Financial Instruments* (refer to note 22 for further discussion).

Source: MFG FY22 Annual Report

4. Provide further SPP relief

- As at 30 June 2022, the outstanding loan balance was $33.5 million. Based on disclosures in the FY22 Annual Report, we estimate these loans are split between:
  - Directors – $1.2 million
  - Group executives – $0.6 million
  - Former executives – $3.7 million
  - Current staff – $27.9 million
- We support the steps the Company has taken to alleviate the pressure facing SPP participants and we strongly encourage further action to remove this corrosive spectre hanging over the participants
- Given the complexity surrounding potential solutions, we refrain from making any specific suggestions
- We consider shareholders should support any reasonable solution the Board proposes

5. Accelerate Board renewal and improve Board diversity

- Accelerating Board renewal is critical
- When we look at the skills the Directors bring to the Magellan Board, we observe two areas where it appears to lack experience:
  - Funds management C-suite profit & loss responsibility
  - Funds management sales and distribution
- New directors should also provide for opinions not anchored to Magellan's past
- Magellan's board needs greater diversity, both gender and cultural
  - We recommend the appointment of at least one more female director, if not more
  - Shortlists should ensure diverse candidates
  - This is good for culture, deliberations and decision-making – more diverse Boards are widely acknowledged as superior
  - "*Walk the talk*" - this is also critical for Magellan's ESG aspirations
- Aside from the benefits of improved diversity, such a move will ensure Magellan does not receive further negative press coverage as one of the recalcitrant ASX300 companies with only a single female director

Appendices

- Appendix 1 - Magellan Fund Information as at 31 May 2023

Fund Name	Mgmt. Fee	Perf. Fee	Benchmark	Performance Fee Basis	Fund/Unit Class Size
Magellan Global Fund (Open Class) (ASX:MGOC)	1.35%	10%	MSCI World Net Total Return Index (AUD)	Higher of Benchmark & 10-year Australian Government Bonds	$7,196.7m
Magellan Global Fund Closed Class (ASX: MGF)	1.35%	10%	As above	As above	$2,790.0m
Magellan Global Equities Fund (Ccy Hedged) (ASX:MHG)	1.35%	10%	As above	As above	$120.2m
Magellan Global Fund (Hedged)	1.35%	10%	As above	As above	$515.9m
Magellan High Conviction Fund	0.78%/1.35%	20%/10%	As above	As above	$233.0m
Magellan High Conviction Trust (ASX: MHHT)	1.50%	10%	n/a	10%	$462.2m
Magellan Sustainable Fund (Ticker: MSUF)	1.37%	10%	MSCI World Net Total Return Index (AUD)		$8.3m
Magellan Infrastructure Fund	1.06%	10%	S&P Global Infrastructure Index A$ Hedged Net Total Return	Higher of Benchmark & 10-year Australian Government Bonds	$2,164.5m
Magellan Infrastructure Fund (Ccy Hedged) (ASX:MICH)	1.06%	10%	As above	As above	$738.1m
Magellan Infrastructure Fund (Unhedged)	1.06%	10%	S&P Global Infrastructure Index A$ Unhedged Net Total Return	As above	$986.0m
MFG Core International Fund (Ticker: MCSG)	0.51%	n/a	MSCI World Net Total Return Index (AUD)	n/a	$24.0m
MFG Core ESG Fund (Ticker: MCSE)	0.51%	n/a	As above	n/a	$14.5m
MFG Core Infrastructure Fund (Ticker: MCSI)	0.50%		S&P Global Infrastructure Index A$ Hedged Net Total Return	n/a	$286.5m

Source: Magellan website (www.magellangroup.com.au)

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Appendices

- Appendix 2 – Frontier Fund Information as at 31 May 2023

Fund Name	Mgmt. Fee	Perf. Fee	Benchmark	Performance Fee Basis	Fund/Unit Class Size
Frontier MFG Global Equity Fund	0.80%		MSCI World Index	n/a	US$83.9m
Frontier MFG Global Plus Fund - insto class	0.80%		As above	n/a	US$14.8m
Frontier MFG Global Plus Fund - service class	0.95%		As above	n/a	US$2.5m
Frontier MFG Core Infrastructure Fund - insto class	0.50%		S&P Global Infrastructure Index	n/a	US$320.3m
Frontier MFG Core Infrastructure Fund - service class	0.65%		As above	n/a	US$190.6m
Frontier MFG Select Infrastructure Fund - insto class	1.50%		As above	n/a	US$80.7m
Frontier MFG Select Infrastructure Fund - service class	1.37%		As above	n/a	US$36.0m
Frontier MFG Global Sustainable Fund - insto class	1.06%		MSCI World Index	n/a	US$11.4m
Frontier MFG Global Sustainable Fund - service class	1.06%		As above	n/a	US$18.6m
Frontier HyperiUS Global Equity Fund - insto class	0.80%		MSCI World Index	n/a	US$10.1m
Frontier HyperiUS Global Equity Fund - service class	0.80%		As above	n/a	US$7.2m

Source: Frontier Funds website (www.frontiermutualfunds.com)
Note: All Frontier MFG funds are sub-advised by Magellan Asset Management Ltd
Frontier HyperiUS funds are sub-advised by Hyperion Asset Management Ltd

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Appendices

Appendix 3 – Market comparisons

Compelling market pricing for MFG

	MFG	GQG	PTM	RPL	PNI	AEF
Share price ($)	181.5	2,952.8	574.3	253.8	194.5	112.8
52 week high/low ($)	8.150	1.000	1.690	2.630	9.360	3.070
Market cap	1,479.3	2,952.8	970.5	667.5	1,821.0	346.2
Cash ($m)	352.5	92.0	185.6	39.8	15.0	28.6
Associates ($m)	355.2	0.0	89.8	0.0	314.8	0.0
Investments in Funds ($m)	416.2	11.8	53.5	173.7	167.7	2.7
Enterprise Value ($m)	355.4	2,849.0	641.5	454.1	1,323.4	314.9
FUM ($m)	41,400.0	98,500.0	17,966.0	5,500.0	32,377.3	9,020.0
EV/FUM	0.9%	2.9%	3.6%	8.3%	4.1%	3.5%
FY24E EBITDA ($m)	178.9	406.3	106.0	96.2	76.3	n/a
EV/EBITDA	2.0	7.0	6.1	4.7	17.3	n/a
FY24E NPAT ($m)	135.1	295.9	77.4	63.7	84.9	n/a
P/E	2.6	9.6	8.3	7.1	15.6	n/a

Sources: ASX Announcements, Bloomberg, Bloomberg consensus estimates, Sandon Capital Analysis. Share prices and estimates are as at 13 Jun 2023. EV is calculated as market capitalisation less net cash and investments.

Historic Enterprise Value as % of FUM

	MFG	PTM	RPL/VGI	GQG	AEF	Average	Median
30 Jun 2016	8.6%	11.7%	n/a	n/a	4.8%	8.3%	8.3%
30 Jun 2017	9.0%	10.5%	n/a	n/a	4.3%	7.4%	7.4%
30 Jun 2018	5.3%	11.6%	n/a	n/a	4.8%	8.2%	8.2%
30 Jun 2019	9.8%	10.2%	33.6%	n/a	5.8%	16.5%	10.2%
30 Jun 2020	10.0%	8.8%	16.9%	n/a	17.9%	14.5%	16.9%
30 Jun 2021	7.9%	10.8%	12.0%	4.1%[1]	15.2%	10.5%	11.4%
30 Jun 2022	2.3%	3.9%	8.7%	3.4%	7.9%	6.0%	5.9%
31 Dec 2022	1.5%	4.0%	12.6%	3.2%	4.9%	6.1%	4.4%
31 May 2023[2]	1.0%	3.7%	11.2%	3.9%	3.1%	5.4%	3.8%
Average	6.2%	8.4%	15.8%	3.6%	7.6%	9.2%	
Median	7.9%	10.2%	12.3%	3.6%	4.9%		8.2%

Note: Enterprise value is calculated as Market Capitalisation plus debt less cash and investments (non-operational).
Sources: Bloomberg, Company Disclosures for Australian Ethical Investment Ltd (AEF), Magellan Financial Group Ltd (MFG), GQG Partners, Inc. (GQG) Platinum Asset Management Ltd (PTM), Regal Partners Ltd (RPL), VGI Partners Ltd (VGI) prior to its merger with RPL, Sandon Capital analysis

1. Note GQG EV/FUM for 30 Jun 2021 uses 31 Dec 21 Data.
2. 31 May EV data uses 31 Dec company disclosures for balance sheet items, 31 May market cap and FUM

SANDON CAPITAL

About us

"Ever since 1934 we have argued in our writings for a more... energetic attitude by stockholders toward their management."

BEN GRAHAM, THE INTELLIGENT INVESTOR

SINCE 2008

Sandon Capital has successfully applied its investment approach.

We have established a long-term track record of attractive returns

We're an Australian-based investment firm with AUM ~$180M

We are value Investors. We aim to buy at a discount to an asset's true worth

We aim to be active owners

Our Funds

Sandon Capital Activist Fund (SCAF)

Unlisted unit trust for wholesale / qualified investors

Sandon Capital Investments Ltd (ASX:SNC)

Listed investment company

SANDON CAPITAL

We seek change to create or enhance value

Pre-eminent and unique track record of shareholder activism

We have unrivalled experience in >40 public and private campaigns

Our track record and investor base allows us to be careful and patient

Long, established track record of outperformance, with an investor base that supports us to play a long game with investments.

Extensive contacts

- We build coalitions of like-minded investors
- Stakeholders include institutional investors, directors, proxy advisers, investment bankers, journalists and ultimate owners
- Built and nurtured over many years
- When public, our analysis is widely circulated and read

We invest in undervalued companies

As value investors, we look for undervalued assets, where:

- Prices are below their intrinsic value
- We can encourage positive changes

Human nature creates attractive investment opportunities that require shareholders to liberate or create value.

We actively engage with companies to promote positive changes

Identify companies that are mispriced and where there are opportunities to promote positive changes, and shape the future.

Transform a company so its value is better appreciated by the market.

Takes time for our approach to bear fruit. Capital we manage is similarly aligned. Allows us to be patient and persistent.

Use rigorous analysis to build shareholder consensus.

Our Activism Technique

SANDON CAPITAL

We unlock value by taking a proactive approach

We focus on engaging to maximise the certainty of our value creation strategies

We adapt to each unique situation, employing both a range of visible and less visible techniques

Discount .... (Asset Value) .... Intrinsic Value

Letters to the board → Bilateral meetings with board and management → Public Presentations → Multilateral meetings with other shareholders → Seek board & management changes → Proxy contests

Less Visible .... (Opportunity) .... More Visible

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