31 December 2024 – Factsheet

Centuria LifeGoals

Magellan Global Fund

Centuria

The Fund seeks to achieve attractive risk-adjusted returns over the medium to long-term while reducing the risk of permanent capital loss.

Investment manager

Magellan Asset Management Limited

Investment strategy

The Fund aims to find companies at attractive prices that have sustainable competitive advantages that translate into returns on capital in excess of their cost of capital for a sustained period of time. The Fund will endeavour to acquire these companies at a discount to its assessment of the intrinsic value of the companies. The portfolio will consist of 20-40 investments.

Target allocation

Australian equities	80-100%
Cash	0-20%

Performance returns

RETURNS TO 31/12/2024	1 MTH	3 MTH	6 MTH	1 YR	2YR[1]	3YR[1]
Net returns (%)[2]	2.38%	7.52%	7.36%	20.04%	16.56%	6.33%

Performance graph

A $10,000 investment in Centuria Magellan Global Fund made at inception is worth $15,244 as of 31 December 2024 after all fees and taxes paid within the Investment Option.

Key features

APIR code	OVS5674AU
Minimum initial investment	$500
Minimum additional investment plan	$100
Minimum switching amount	$500
Minimum balance	$500
Contribution fee	Nil
Annual management fee[3]	1.25%
Performance fee[4]	0.24%
Suggested timeframe	5 years

1. Periods greater than 1 year are expressed in annualised terms.
2. Past performance is not a reliable indicator of future performance.
3. Refer to PDS for fee breakdown.
4. 10% of the excess return above the higher of the 'Index Relative Hurdle' (the MSCI World Net Total Return Index (AUD)) and the 'Absolute Return Hurdle' (the yield of 10-year Australian Government Bonds).

Fund commentary

Market Outlook: Commentators spend a lot of time extolling the 'value' of equity markets based on aggregated metrics such as prices relative to near-term earnings, but these metrics overly simplify the job for investors in finding opportunities and avoiding risks. As passive investing has come to dominate equity market allocations, prices can become disconnected from fundamental value even more than before as these baskets of stocks see flows (in and out) based on themes and macro factors, not the underlying value of the companies themselves. Much continues to be said about the Magnificent 7 (or is it now 8?) and it is true these behemoth companies continue to dominate indices and returns. Each of these companies has the potential to deliver good shareholder returns and many have the potential to grow well ahead of competitors given scale advantages, existing economic moats, very high returns on capital and strong cash generation, though incumbency risks and rapid innovation in their core markets cannot be ignored.

The incoming US Administration and the reshaping of US policy that may result could have profound implications for performances of companies across the globe. President-elect Trump's return may also result in an uptick in equity market volatility given his communication style and tendency to sweeping statements. On the one hand, deregulation and government cost-cutting are clearly high on the agenda and broadly positive for markets and economic growth. On the other hand, what gets done, and when, on taxes, cutting immigration to the US and levying tariffs on goods bound for the US will matter for fiscal balances and inflation.

A bullish scenario could see another very good year for investors. This would see US policy interest rates head back towards 3%, 10-year yields likely rangebound or lower and housing turnover and activity pick up as mortgage rates are increasingly acceptable for those looking to own or update housing. Business investment would be supported by policy efforts to lift local production, especially for AI-related industries and associated energy needs. Capital markets should see renewed vigour in M&A and IPOs as deregulation and reduced capital buffers lift activity. A virtuous cycle then supports economic growth via jobs creation, wage expansion, higher property values and so on. AI innovation will be important in this scenario to balance labour market tightness with productivity and capital substitution.

A bearish scenario would likely be the result of unexpected US Administration policy actions that are too disruptive to industries or aggressive fiscal spending with negative implications for government debt levels driving rates and inflation higher. Other risks, from geopolitical conflict to cyber attacks, social unrest, extreme weather events or political events, elsewhere could deliver a shock amplified by an already high US fiscal deficit. A 10-year bond yield move above 5% would pressure equities. Income inequality in many parts of the world remains a problem for the balanced advancement of populations while the high US dollar will weigh on upcoming reported results of US-based multinationals.

Overall, the portfolio is well positioned for the years ahead. Our focus on high-quality companies with attractive earnings outlooks and valuations means that no matter what scenario unfolds, the risk of permanent capital loss is low, yet the portfolio will benefit from structural growth thematics occurring around the world.

Portfolio Outlook: The portfolio recorded a positive return for the quarter to December 2024. The stocks that contributed the most this quarter were Amazon and Netflix, with smaller gains from SAP, Visa and Brookfield. Amazon gained as investors became more confident about Amazon's ability to continue to grow revenues and earnings in its online business amazon.com, while its leading cloud business AWS revealed AI progress.

Netflix's share price rose on the back of further growth in its subscriber base, and the success of recent Live Events in NFL and boxing, bringing higher conviction on the long-term growth as it extends its advertising model. SAP reported a strong Q3 result that showcased momentum in cloud services businesses alongside cost restraint, which drove wider profit margins.

The largest detractor was Novo Nordisk, with smaller drags from HCA Healthcare, UnitedHealth, ASML and Eversource Energy. Healthcare stocks across the market struggled post the Trump election win given general unease on his cost cutting intentions and the current huge burden of the US healthcare system. Novo's share price fell as the clinical trial results of CagriSema, a new weight loss drug, showed 22% weight loss, not 25% as anticipated. HCA was affected by investor concerns about regulatory changes affecting healthcare exchanges and subsidies, which would reduce the number of patients receiving care in its hospitals. We are less concerned about this issue given many Americans enrolled in these programs are Republican voters. UnitedHealth was hurt by talk of government cost cutting and an online backlash against insurers following the fatal shooting of its insurance division CEO, but we believe the market is overestimating the likely impact on the company's profitability. *(Index movements and stock contributors/detractors are based in local currency terms unless stated otherwise)*

Disclaimer: This commentary has been directly sourced from Magellan's factsheet available on their website.

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