Magellan Global Sustainable (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Sustainable Assets[1]
Domenico Giuliano	1 October 2016	USD $266.8 million	USD $266.8 million

Objective

Capital preservation in adverse markets

Attractive absolute risk-adjusted returns through the economic cycle

Deliver carbon intensity less than 1/3 of MSCI World

Approach

High conviction (20-50 securities), high quality focus, low turnover

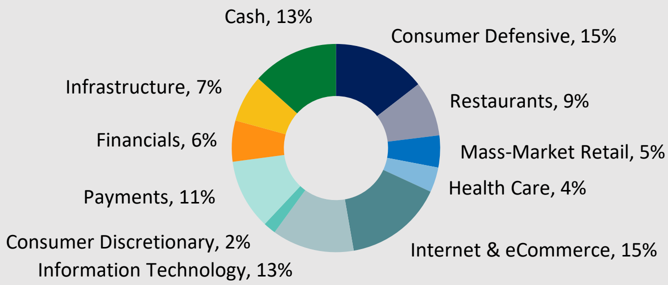
Dual-sleeve portfolio construction with dynamic allocation to cash (typically between 0% - 20%)

Combined Risk Ratio cap of 0.8^

Integrated ESG with proprietary, multi-dimensional carbon emissions management. Certain stocks are excluded from the investment universe, including those with material exposures to gambling, alcohol, tobacco, adult entertainment and weapons, amongst other exposures as determined from time to time by MFG/Magellan

Top 10 Holdings[2]	Sector	%
Microsoft Corporation	Information Technology	7.2
Alphabet Inc	Internet & eCommerce	6.8
Amazon.com Inc	Internet & eCommerce	5.3
Walmart Inc	Mass-Market Retail	5.0
Visa Inc	Payments	4.6
MasterCard Inc	Payments	4.4
Yum! Brands Inc	Restaurants	4.0
Unilever PLC	Consumer Defensive	3.9
SAP SE	Information Technology	3.9
Novartis AG	Health Care	3.9
	TOTAL:	49.0

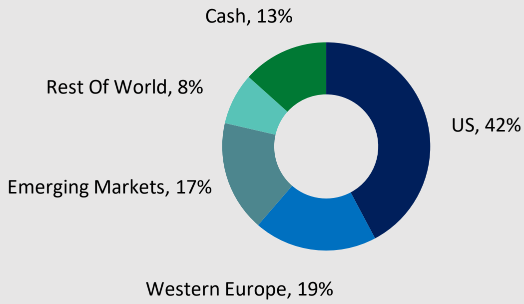
Sector Exposure[2]



Strategy Fundamentals[2]	Strategy
Number of Holdings	25
Carbon Intensity	20
Return on Equity	34
P/E Ratio (1 year forward)	22
Interest Cover	20
Debt/Equity Ratio	89
Weighted Average Market Cap (USD million)	444,746

3 Year rolling returns[3] (measured monthly)	1 Year	3 Year	Since Inception
Against MSCI World NTR Index+			
No of observations	12	36	37
Average excess return (% p.a.) (Gross)	-4.2	-0.2	-0.1
Average excess return (% p.a.) (Net)	-5.1	-1.1	-1.0
Outperformance consistency (Gross)	0%	44%	46%
Outperformance consistency (Net)	0%	44%	46%

Geographic Exposure[2]



Performance[4]	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	-5.3	-21.6	0.6	4.8	6.4
Composite (Net)	-5.5	-22.3	-0.2	3.9	5.6
MSCI World NTR Index+	-6.2	-19.6	4.6	5.3	7.3
Excess (Gross)	0.9	-2.0	-4.0	-0.5	-0.9
MSCI World Low Carbon NTR Index+	-6.3	-20.3	4.4	5.3	7.2

Annual Performance[4] (%)	CYTD	2021	2020	2019	2018	2017	2016*
Composite (Gross)	-26.0	16.3	10.1	27.2	-1.0	21.4	0.3
Composite (Net)	-26.5	15.3	9.2	26.2	-1.8	20.4	0.1
MSCI World NTR Index+	-25.4	21.8	15.9	27.7	-8.7	22.4	1.9
Excess (Gross)	-0.6	-5.5	-5.8	-0.5	7.7	-1.0	-1.6
MSCI World Low Carbon NTR Index+	-26.0	21.5	16.5	28.5	-8.9	22.2	1.4

[1] Comprised of all Sustainable Strategies.
[2] The data is based on a representative portfolio for the strategy. Sectors are internally defined. Geographical exposure is calculated on a look through basis based on underlying revenue exposure of individual companies held within the portfolio. Exposures may not sum to 100% due to rounding. Refer to the Important Notice below for further information.
[3] Rolling 3-year returns are calculated and rolled monthly for the duration of each period shown. The average excess return is then calculated for each period, with the outperformance consistency indicating the percentage of positive excess returns. Strategy inception is 1 October 2016.
[4] Returns are for the Global Sustainable Composite and denoted in USD. Performance would vary if returns were denominated in a currency other than USD. Refer to the GIPS Disclosure section below for further information. Strategy inception is 1 October 2016. Composite (Net) returns are net of fees charged to clients and have been reduced by the amount of the highest fee charged to any client employing that strategy during the period under consideration. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Fees are available upon request.
^ Combined risk ratio is a measure of relative beta and relative drawdown to MSCI World NTR USD Index[+]. Please contact MFGAM should you wish for further details on the calculation.
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* Returns are only for part year.

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The Global Sustainable composite is a concentrated global equity strategy investing in high quality companies (typically 20-50 stocks) with an integrated ESG risk assessment process, including a low carbon overlay and specific ESG exclusions on societal grounds related to either material manufacturing or retail exposures to Tobacco, Alcohol, Gambling, Controversial Weapons, Civilian Firearms, Adult Entertainment and other activities that Magellan may specify from time to time. High quality companies are those companies that have sustainable competitive advantages which translate into returns on capital materially in excess of their cost of capital for a sustained period of time. The investment objectives of the Global Sustainable strategy are to earn superior risk adjusted returns through the business cycle whilst minimising the risk of a permanent capital loss with specific ESG exclusions and a meaningfully lower carbon intensity than broader equity markets. The composite name was changed from Global ESG to Global Sustainable on 1 November 2020 following the restructure of our Global Sustainable product offerings into two distinct strategies, one with additional ESG exclusions and one without. The Global Sustainable strategy does apply additional ESG exclusions.

To achieve investment objectives, the composite may also use derivative financial instruments including, but not limited to, options, swaps, futures and forwards. Derivatives are subject to the risk of changes in the market price of the underlying securities instruments, and the risk of the loss due to changes in interest rates. The use of certain derivatives may have a leveraging effect, which may increase the volatility of the composite and may reduce its returns.

A copy of the composite's GIPS compliant presentation and/or the firm's list of composite descriptions are available upon request by emailing client.reporting@magellangroup.com.au

The representative portfolio is an account in the composite that closely reflects the portfolio management style of the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio may differ from those of the composite and of the other accounts in the composite. Information regarding the representative portfolio and the other accounts in the composite is available upon request.

The representative portfolio for the Global Sustainable strategy changed on 1 November 2020 following the removal of the additional ESG exclusions from the previous representative portfolio.

USD is the currency used to calculate performance.

Market Commentary

Global stocks slumped for a third consecutive quarter in the three months to September after a higher-than-expected reading on US inflation signalled the Federal Reserve would respond aggressively, faster inflation fuelled by higher energy prices and a rising US dollar pressured other central banks including the European Central Bank to raise rates, talk rose that China's economy is in trouble, and new UK Prime Minister Liz Truss lost the confidence of investors when announcing an unfunded widening in the budget deficit. During the quarter, nine of the 11 sectors fell in US-dollar terms. Communications (-12%) fell the most while consumer staples (+2.1%) rose most. The Morgan Stanley Capital International World Index lost 6.2% in US dollars.

US stocks dropped after the inflation report for August fanned expectations the Fed would need to raise the cash rate more than expected and keep it higher for longer. While the report showed consumer prices were flat in August (for a 12-month rate of 8.3%), the core measure that strips out food and energy prices jumped a higher-than-expected 0.5% in the month (for a 12-month rate of 6.3%). The Fed responded to evidence inflation is more about economic momentum than transitory shocks by raising the cash rate by 0.75% in September to between 3% and 3.25%. This followed a similar hike in June and July and marked the fifth increase since March when the rate was close to 0%. In political news, Congress passed a bill dubbed the Inflation Reduction Act, which, as it contains an estimated US$375 billion in measures to fight climate change, President Joe Biden hailed as the "biggest step forward on climate ever". The S&P 500 Index slumped 5.3%.

European stocks dropped after the European Central Bank raised interest rates for the first time since 2011 and warned "sacrifice" was needed to tame inflation. Eurozone inflation accelerated to a fresh record high. Italy's government fell and sent the country to a snap election, and the UK opted for a new prime minister who triggered a financial and political crisis with unfunded fiscal stimulus that included tax cuts for higher earners and relief for higher energy prices. The ECB raised its key rate in two steps by a bigger-than-expected 125 basis points to 0.75%, to end eight years of negative rates. The central bank acted after monthly reports showed inflation setting fresh record highs on every release – culminating in a reading of 10% in the 12 months to September. Inflation rose as benchmark electricity prices peaked 1,000% above their average of the past decade, and the euro fell to a 20-year low against the dollar (which boosts import prices). The central bank unveiled its 'transmission protection instrument' that is designed to stop the spread between sovereign yields widening too much. In political news, Italy's prime minister elect after the September poll is Giorgia Meloni of the Brothers of Italy party, who is described as centre right by the Italian media. In the UK, Prime Minister Boris Johnson resigned after losing the confidence of his party and was replaced by Truss. The new leader announced a 'mini-budget' that added to government debt and inflation pressures and triggered talk she would soon be removed. The Bank of England was forced to intervene to stop a systemic crash after bond prices plunged. The Euro Stoxx 50 Index shed 3.3%.

Japan's Nikkei 225 Index dipped 1.7% as news the economy expanded a revised annualised 3.5% in the three months to June limited losses. In July, Prime Minister Fumio Kishida's ruling Liberal Democratic Party won a landslide victory in elections for the upper house, two days after former LDP prime minister Shinzo Abe was assassinated by a lone gunman. Australia's S&P/ASX 200 Accumulation Index rose 0.4% on higher commodity and energy prices, even as the Reserve Bank of Australia raised the cash rate every month by 50 basis points, taking the rate to 2.35%, to fight inflation that reached 6.1% in the 12 months to June. China's CSI 300 Index plunged 15% as reports showed repeated zero-covid-related lockdowns and heatwaves had inflicted so much damage on the economy authorities needed to respond with stimulus, the yuan slumped to a record low in offshore trading of below 7.2 to the US dollar, and China fired ballistic missiles over Taiwan to protest against a visit by US House of Representative Speaker Nancy Pelosi. The MSCI Emerging Markets Index shed 13% in US dollars as concerns rose a higher US dollar, rising food prices and higher US interest rates could destabilise countries, and Brazil's presidential election loomed that could send the country into a political crisis if either right-leaning President Jair Bolsonaro or former leftist president Luiz Inacio Lula da Silva or their supporters refused to accept the result.

Index movements are in local currency. US GDP statistics come from the US Department of Commerce, while US employment and inflation statistics are published by the US Department of Labor. EU economic statistics come from Eurostat. UK statistics are released by the Office for National Statistics. Japanese economic statistics come from the Ministry of Economy, Trade and Industry, the Ministry of Finance and the Ministry of Foreign Affairs (GDP). Australian economic statistics are released by the Australia Bureau of Statistics. China's economic statistics are compiled by the National Bureau of Statistics of China.

Strategy Commentary

The strategy recorded a negative return for the quarter. The biggest detractors in local-currency terms were the strategy's holdings in Microsoft, Alphabet and Meta Platforms. The trio slid mainly because they are proxies for economic activity: Microsoft for business IT investment; Alphabet, the owner of Google; and Meta, the owner of Facebook, for advertising. Meta confirmed as such when announcing its second-quarter earnings; saying that ad demand and pricing are declining due to a slowing economy.

A further blow for Microsoft was that its US$69 billion purchase of computer games developer Activision Blizzard faces a probe by the UK regulators over whether or not it could hamper competition.

The biggest contributors included the investments in Netflix, Verisign and PayPal Holdings. Netflix gained after the streaming TV leader reported it lost a fewer-than-expected 970,000 subscribers in the second quarter. Verisign gained after the US network infrastructure company won more investor favour after reporting in late July a 6.9% jump in second-quarter revenue. PayPal surged after saying activist investor Elliott Investment Management is one of its biggest shareholders and that cost-cutting will save US$900 million this fiscal year and US$1.3 billion in the next one.

Stock contributors/detractors are based in local currency terms.