Strategy Update: 31 December 2022

MFG ASSET MANAGEMENT

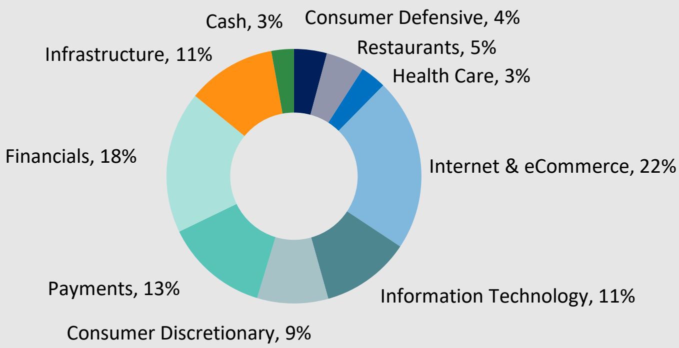
MFG US Sustainable (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets[1]	Total Global Sustainable Assets[2]
Alan Pullen	1 January 2017	USD $2.0 million	USD $267.3 million

Objective	Approach
Capital preservation in adverse markets	High conviction (20-50 securities), high quality focus, low turnover
Attractive absolute risk-adjusted returns through the economic cycle	Dual-sleeve portfolio construction with dynamic allocation to cash (max 10%) Combined Risk Ratio cap of 1.0^
Deliver carbon intensity less than 1/3 of S&P500	Integrated ESG with proprietary, multi-dimensional carbon emissions management

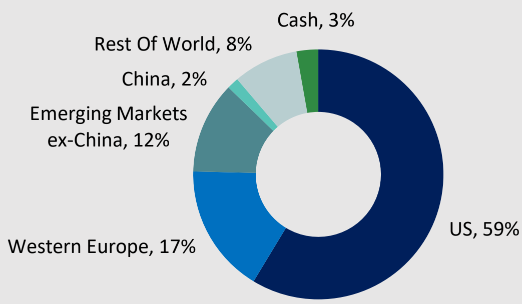
Top 10 Holdings[3]	Sector[3]	%
Microsoft Corporation	Information Technology	7.3
Alphabet Inc	Internet & eCommerce	7.2
Visa Inc	Payments	7.0
Amazon.com Inc	Internet & eCommerce	5.6
Eversource Energy	Transmission and Distribution	5.0
Booking Holdings Inc	Consumer Discretionary	4.8
Intercontinental Exchange Inc	Financials	4.7
Netflix Inc	Internet & eCommerce	4.5
Meta Platforms Inc	Internet & eCommerce	4.2
US Bancorp	Financials	4.1
	TOTAL:	54.4

Sector Exposure[3]



Strategy Fundamentals[3]	Strategy
Number of Holdings	25
Carbon Intensity	18.6
Return on Equity	33
P/E Ratio (1 year forward)	22.3
Interest Cover	15
Debt/Equity Ratio	82
Weighted Average Market Cap (USD million)	392,542

Geographic Exposure[3]



3 Year rolling returns[4] (measured monthly)	1 Year	Since Inception
Against S&P500 Net TR Index		
No of observations	12	37
Average excess return (% p.a.) (Gross)	1.4	3.3
Average excess return (% p.a.) (Net)	0.5	2.4
Outperformance consistency (Gross)	92%	97%
Outperformance consistency (Net)	58%	86%

Performance[5]	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	7.3	-22.2	7.7	10.6	12.4
Composite (Net)	7.0	-22.8	6.8	9.8	11.5
S&P 500 NTR Index	7.4	-18.5	7.1	8.8	10.8
Excess (Gross)	-0.1	-3.7	0.6	1.8	1.6

Annual Performance[5] (%)	2022	2021	2020	2019	2018	2017*
Composite (Gross)	-22.2	31.1	22.4	36.4	-2.6	21.7
Composite (Net)	-22.8	30.0	21.4	35.3	-3.4	20.7
S&P500 Net TR Index	-18.5	28.2	17.8	30.7	-4.9	21.1
Excess (Gross)	-3.7	2.9	4.6	5.7	2.3	0.6

[1] US Sustainable Strategy is currently based on a proprietary portfolio.
[2] Comprised of all Sustainable Strategies.
[3] 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.
[4] Rolling 3-year returns are calculated in USD and rolled monthly for the duration of each period shown. The average excess return is then calculated for each period, with outperformance consistency indicating the percentage of positive excess returns. Strategy inception is 1 January 2017.
[5] Returns are for the US 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 January 2017. 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 S&P 500 NTR Index (USD). Please contact MFGAM should you wish for further details on the calculation.

IMPORTANT NOTICE

The S&P 500 TR Index is a float adjusted market capitalization weighted index that is designed to measure the equity performance of the top 500 companies in the United States. Index results assume the reinvestment of all distributions of capital gain and net investment income using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) DISCLOSURE

Magellan Asset Management Limited, doing business as MFG Asset Management in jurisdictions outside Australia and New Zealand, (MFG Asset Management) claims compliance with the Global Investment Performance Standards (GIPS ®)

For the purpose of complying with GIPS, the Firm is defined as all discretionary portfolios managed by MFG Asset Management, excluding brands managed by subsidiaries operating as distinct business entities. MFG Asset Management is a wholly-owned subsidiary of the publicly listed company Magellan Financial Group Limited. MFG Asset Management is based in Sydney, Australia. Total Firm assets is defined as all assets managed by MFG Asset Management, excluding assets managed by subsidiaries operating as distinct business entities.

The US Sustainable composite is a concentrated global equity strategy investing in high quality companies (typically 20-50 stocks), domiciled in the United States, with an integrated low carbon overlay. 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 US Sustainable strategy are to earn superior risk adjusted returns through the business cycle whilst minimising the risk of a permanent capital loss with an integrated ESG strategy with meaningfully lower carbon intensity than broader equity markets. The composite was created in January 2017. Prior to May 29, 2018 the composite was named the US Low Carbon Composite.

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.

USD is the currency used to calculate performance.

Market Commentary

The final quarter of 2022 saw a rally in equity markets with the S&P 500 Index up 7.1%. The market rally was triggered by early signs that inflation pressures may have peaked, notwithstanding that the Federal Reserve raised the cash rate by 125bp to 4.25%-4.5% and maintained it would keep interest rates higher for longer throughout 2023. Politically, we saw the mid-term elections, which saw the Republicans win back control of the House of Representatives, ending control of Congress by President Joe Biden’s Democratic Party. US markets were also buoyed by international developments, with China’s abandonment of its zero-Covid policy likely to aid global growth in the year ahead and a milder winter in Europe resulting in lower natural gas prices and an easing in recessionary fears for the continent.

Markets reacted positively to developments in the final quarter but remain delicately poised, with fears of softening economic growth (and earnings), balanced with hope of easing inflation pressure and an end to the Federal Reserve’s tightening cycle.

Strategy Commentary

The portfolio recorded a positive return for the quarter. The biggest contributors were the strategy's holdings in Visa, Netflix and Mastercard. Visa and Mastercard continue to benefit from solid spending growth as the structural tailwind from the shift to digital payments was augmented by cyclical tailwinds from high inflation (which is directly reflected in spend metrics over the payment giants' networks) and the recovery in travel that benefits high-margin, cross-border payments. Netflix benefited from optimism over the launch of its ad-supported tier and a strong programming slate.

The largest detractors were Amazon, Alphabet and PayPal. Amazon and PayPal softened on concerns that weaker economic activity would impact ecommerce sales and, in Amazon's case, demand for its hyperscale cloud platform, AWS. Alphabet was similarly impacted by concern softening economic activity would affect advertising revenue.

Stock contributors/detractors are based in local currency terms.

Outlook

After the extremes of 2022 where returns across almost all, if not all, asset classes fell, 2023 looks to be more constructive. The runaway inflation is finally starting to slow down, especially in the goods part of the measure, with the key piece to watch from here being wages inflation. If (when) this can be reined in, central banks will start to respond by leaning back on their aggressive interest-rate hiking. Even still, we believe the three-decade-long fall in interest rates has ended and our world is adjusting. We are now a long way through the adjustment process in markets. The benchmark US 10-year bond, used for discounting cash flows and thus crucial to determining valuations, is settling into a range in the high 3% at present. We think this looks sustainable and so while near-term volatility (associated with oscillations in this) is not off the table, the major repricing of duration is finished in our view.

While the short-term economic outlook remains uncertain, we continue to dig within our investment universe to find those companies that not only have strong competitive advantages but also can deliver cash flows and earnings that are resilient. Valuations are attractive and we continue to hold what we believe are strong, well-capitalised and well-positioned companies that can benefit from the changing shape of economies and industries and can deliver attractive long-term returns to shareholders.