MFG Global Equities

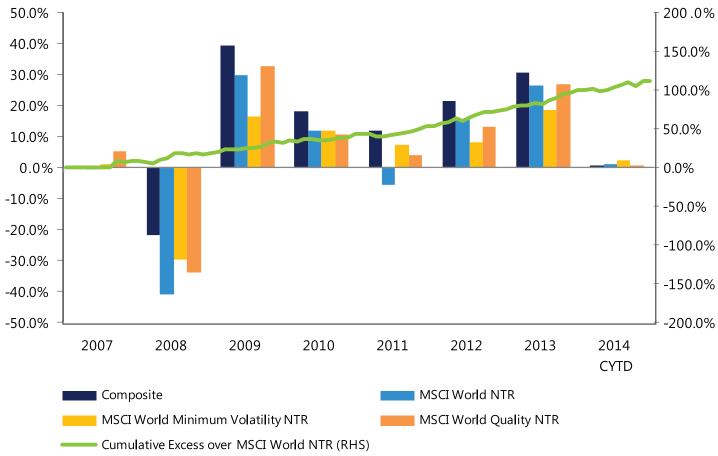
Strategy Update: 31 March 2014

Portfolio Manager Hamish Douglass	Total Global Equity Assets[1] USD $16,930.5 million
Inception date 1 July 2007	Composite Size[2] USD $16,432.1 million

USD Gross Performance[2]

	Composite %	Index %[3]	Excess Return %
1 Month	-0.1%	0.1%	-0.2%
3 Months	0.8%	1.3%	-0.5%
6 Months	9.8%	9.4%	0.4%
1 Year	18.1%	19.1%	-1.0%
2 Years (% p.a.)	20.5%	15.4%	5.1%
3 Years (% p.a.)	20.8%	10.2%	10.6%
4 Years (% p.a.)	18.9%	11.0%	7.9%
5 Years (% p.a.)	26.1%	18.3%	7.8%
Since Inception (% p.a.)	13.3%	2.8%	10.5%
Since Inception	131.9%	20.7%	111.2%

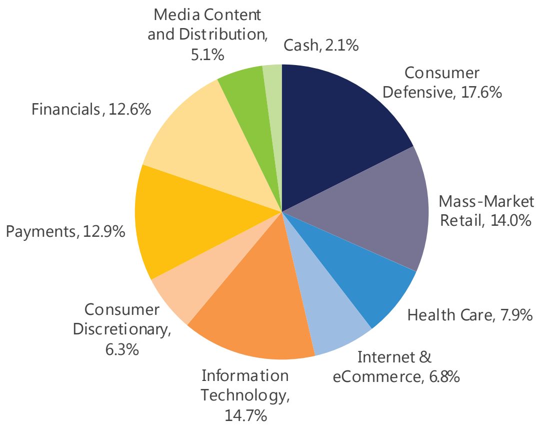
USD Calendar Year Performance against Style Indicies



USD Risk Measures Since Inception[2]

Upside Capture	0.9
Downside Capture	0.5
Beta	0.7
Information Ratio (% p.a.)	1.3
Tracking Error (% p.a.)	7.9%
Worst Drawdown - Composite	-36.0%
Worst Drawdown - Index	-54.0%

Industry Exposure by Source of Revenues[4]



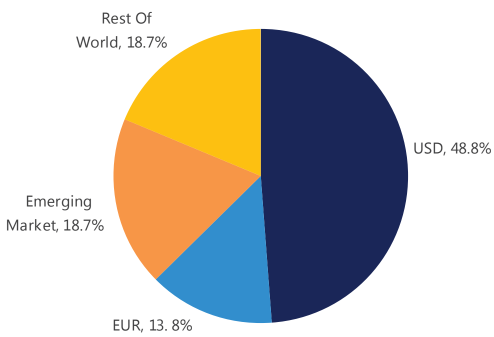
Strategy Fundamentals[4,5]

	Strategy[4]	Index[3]
Number of Holdings	28	1,597
Return on Equity	20	14
P/E Ratio (1 year forward)	16	15
Interest Cover	14	10
Debt/Equity Ratio	32	46
Active Share	89	

Top 10 Holdings[4]

	Sector	% of Strategy
eBay Inc	Information Technology	6.6
Microsoft Corp	Information Technology	6.5
Oracle Corp	Information Technology	6.4
Target Corp	Consumer Discretionary	5.5
DirecTV	Consumer Discretionary	5.1
Visa Inc	Information Technology	4.8
Nestlé SA	Consumer Staples	4.8
Tesco PLC	Consumer Staples	4.7
Lowe's Co Inc	Consumer Discretionary	4.6
Yum! Brands Inc	Consumer Discretionary	4.6

Geographical Exposure by Source of Revenues[4]



[1] Comprised of all Global Equity strategies.
[2] Returns and risk measures are for the Global Equity Composite and denoted in USD.
*Refer to the end of the document for further information.
[3] Index: MSCI World Net Total Return Index (USD). Source: MSCI
[4] Representative Portfolio. ^Refer to the end of the document for further information.
[5] Source: UBS Portfolio Analytics.

MFG ASSET MANAGEMENT

Market Review for the Quarter

The Federal Reserve further reduced the rate of its asset purchases in the first quarter of 2014, amid continued improvement in the US economy, notwithstanding some more mixed employment, consumption and housing data, which was likely impacted by adverse weather conditions. Conversely, in Europe, the ECB stressed their capability of undertaking further monetary policy actions, if need be, to combat low Eurozone inflation. Against this backdrop, global equity markets ended the quarter slightly higher, led, in regional terms, by Europe and North America which both made modest gains.

In our view, the drivers of US economic growth are gathering strength, justifying the Federal Reserve's moves to end Quantitative Easing and gradually normalise monetary policy. We continue to consider the unwinding of Quantitative Easing as the single most important factor that will impact markets and economies over the next few years. Higher interest rates will be disruptive to markets, particularly those where investors have sought duration and higher yields.

We believe that systemic risks in China have increased as credit continues to grow rapidly and shadow-banking defaults may become more frequent as policymakers consider embarking on a more rapid financial system liberalisation process. If mishandled, these delicate reforms could prove disruptive for credit and property markets, with potentially serious knock on effects for the real economy. We continue to believe the Chinese government has the tools at its disposal to prevent a hard landing, but the risk of a policy mistake is rising and could add significant pressure to the slowing Chinese economy.

Strategy performance and activity for the quarter

As at 31 March 2014, the Fund consisted of 28 investments (compared to 27 investments at 31 December 2013). The top ten investments represented 53.6% of the Fund at 31 March 2014, while they represented 52.8% at 31 December 2013.

Over the quarter, the top three contributors to absolute performance were Microsoft, which saw continued strength in its enterprise businesses as well as the first strategic changes by its new CEO, DirecTV, which showed good margin performance across regions and announced above-consensus guidance, and Oracle which experienced strong bookings relating to cloud services, as well as solid database sales growth. Conversely, the three biggest detractors were Tesco, which suffered a weak Christmas period and may face increased competitive action from its peers, MasterCard, which disclosed that 2014 revenues would bear the full impact of the loss of its JPMorgan credit card portfolio to Visa (another portfolio stock), and Adidas which indicated that emerging market currency moves would negatively impact performance.

The Fund is fully invested, despite the strong rise in equity markets in 2013, as we believe its holdings have appealing valuations and should deliver attractive returns for investors over the next 3-5 years. The Fund remains positioned to benefit from a strengthening US economy, along with normalisation of interest rates and capital market activity.

Key Stock in Focus - YUM Brands

YUM develops, operates, franchises and licenses a worldwide system of ~38,000 restaurants under the brands of KFC, Pizza Hut and Taco Bell – each respectively a global leader in chicken, pizza and Mexican-style food categories. Units are operated by either the company (about 20%) or independent franchisees or licensees under franchise or license agreements. Franchisees, which range in size from individuals owning just one restaurant to large publicly traded companies, operate the restaurants, invest the capital and pay YUM a royalty based on sales. As measured by system sales, YUM is second to McDonald's globally, but the leader in emerging markets by a sizeable margin.

YUM has established a very significant business in China where it has more than 6,000 restaurants, over 5,000 of which are owned and operated by the company itself. China alone accounted for 40% of YUM's operating profits in its last financial year. YUM is the dominant player in the country and KFC is a top-3 brand with deep customer recognition. In 2013, however, KFC became embroiled in a food safety issue which garnered national headlines and severely impacted both customers' perceptions of the brand and sales. Two of KFC's chicken suppliers were found to have used excessive amounts of antibiotics in late 2012; the public outcry saw KFC's same store sales drop by over 20% initially. As confidence began to be restored in early 2013, an outbreak of Avian Flu again led to consumer concerns around the safety of eating chicken and same store sales fell even further.

YUM moved quickly to address concerns, tighten controls in its supply chain and restore people's trust in the KFC brand. At the same time it stepped up efforts to reduce costs and preserve profits as it managed through the issue. However, the natural operating leverage meant a 23% decline in China profits in 2013 on a 4% decline in system sales. YUM's overall earnings per share dropped by 8.5%, breaking a decade-long run of over 13% compound annual growth.

Importantly from our perspective, we do not believe the YUM China business is permanently impaired. Indeed YUM has continued to invest aggressively in store expansion, adding a further 740 new restaurants in China in 2013, and it sees a long-run opportunity for its store numbers to more than double, or even triple, from here. The business continues to achieve cash paybacks on its investments in China of 3 years or less. While 2013 was a humbling and difficult year for the company, it also brought with it a myriad of learnings. Management grasped the opportunity to build a stronger business on the back of these and, under the strong leadership of CEO David Novak, YUM has built a culture of teamwork and humility. History suggests the company will emerge stronger, wiser, more productive and more innovative; indeed, it has already achieved sustainable cost improvements.

Through 2014, YUM is undertaking a significant campaign to restore KFC brand equity and is moving back on the offense. It is bringing excitement to consumers in China with an all-encompassing campaign that includes a refreshed and expanded menu, new uniforms, expanded digital initiatives and dynamic marketing (including celebrity endorsements). The campaign should see YUM China achieve a 40% rebound in operating profits and the group achieve at least 20% growth in earnings per share. Indeed, YUM China has already witnessed a return to positive same store sales growth and we expect this momentum to continue.

Beyond China, YUM has an unmatched scale in emerging markets, with over 10,000 restaurants, almost twice that of the next largest restaurant company, McDonalds. Already, over half of its operating profits are generated in these faster growing, rapidly-developing countries. One of the most exciting regions for YUM is Asia; clearly in China, but also in countries like India, Indonesia, Malaysia, Thailand, where vast populations are growing in affluence and YUM's KFC and Pizza Hut brands already have high brand recognition and loyalty, and compelling unit economics.

Of course this exposure comes with a different set of risks to other, more developed-market focussed companies. At present some of these markets are experiencing economic downturns, heightened inflation, currency devaluations or various combinations of these factors. Indeed, the persistent strong credit growth in China, without commensurate benefit in GDP growth, is heightening the risks around the latter's sustainability (at historically high levels). We are therefore mindful of these risks in judging YUM Brands' ultimate return prospects, and at what price the investment is good value.

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Performance is compared to the MSCI World Net Total Return Index ('Index'). The Index is a free float adjusted market capitalisation weighted index that is designed to measure the equity market performance of developed markets. The Index measures the price performance of these markets with the income from constituent dividend payments after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

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The Global Equity composite is a concentrated global equity strategy investing in high quality companies. The investment objectives of the Global Equity strategy are to earn attractive risk adjusted returns through the business cycle whilst minimising the risk of a permanent capital loss.

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 list of composites and descriptions, as well as policies for valuing investments, calculating performance, and preparing compliant presentations are available upon request by emailing data@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.

Industry and Geographical Exposures are calculated on a look through basis based on underlying revenue exposure of individual companies held within the portfolio.