Strategy Update: 31 December 2017

MFG ASSET MANAGEMENT

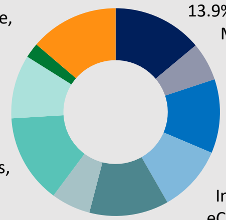
MFG Global Low Carbon (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets [1]
Domenico Giuliano	1 October 2016	USD $54.7 million	USD $37,695.9 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 20%) Combined Risk Ratio cap of 0.8^
Deliver carbon intensity less than 1/3 of MSCI World	Integrated ESG with proprietary, multi-dimensional carbon emissions management

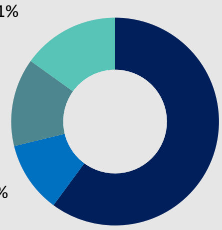
Top 10 Holdings[2]	Sector[2]	%
Apple Inc	Information Technology	5.2
Visa Inc	Payments	5.0
Alphabet Inc	Internet & eCommerce	4.4
MasterCard Inc	Payments	4.0
Facebook Inc-A	Internet & eCommerce	4.0
American Express Co	Payments	3.7
HCA Holdings Inc	Health Care	3.7
Microsoft Corp	Information Technology	3.7
Lowe's Co Inc	Consumer Discretionary	3.7
Costco Wholesale Corp	Mass-Market Retail	3.4
	TOTAL:	40.8

Sector Exposure[2]



Strategy Fundamentals[2]	Strategy	Index
Number of Holdings	33	1,652
Carbon Intensity#	23.4	200.1
Return on Equity	25	15
P/E Ratio (1 year forward)	18.6	17.1
Interest Cover	10	10
Debt/Equity Ratio	68	52
Active Share	87	n/a
Weighted Average Market Cap (USD million)	197,993	n/a

Geographical Exposure[2]



Cumulative Performance[3]	3 Months (%)	1 Year (%)	Since Inception (% p.a.)
Composite (Gross)	**5.9**	**21.4**	**17.0**
Composite (Net)	5.6	20.4	16.1
MSCI World NTR Index	5.5	22.4	19.3
Excess (Gross)	0.4	-1.0	-2.3
MSCI World Low Carbon Target NTR Index	5.6	22.4	19.5

Annual Performance[3]	CYTD (%)	2016*
Composite (Gross)	**21.4**	**0.3**
Composite (Net)	20.4	0.1
MSCI World NTR Index	22.4	1.9
Excess (Gross)	-1.0	-1.6
MSCI World Low Carbon Target NTR Index	22.2	1.4

1 Comprised of all Global 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. The Index is the MSCI World NTR Index. Refer to the Important Notice below for further information.
3 Returns are for the Global Low Carbon 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. 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.
* Returns are only for part year.
[#]MSCI World Index Carbon Intensity level updated annually as at 30 June.

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The MSCI World Index (Net) is a free-float adjusted market capitalization weighted index that is designed to measure the equity performance of 24 developed markets. 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.
The MSCI World Low Carbon Target Index (Net) is based on the MSCI World Index, its parent index, and includes large and mid-cap stocks across 23 Developed Markets (DM) countries. The Index is a benchmark for investors who wish to manage potential risks associated with the transition to a low carbon economy.

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For the purpose of complying with GIPS, the Firm is defined as all discretionary portfolios managed by MFG Asset Management.

The Global Low Carbon composite is a concentrated global equity strategy investing in high quality companies (typically 30-50 stocks) 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 Global Low Carbon 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 October 2016.

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.

Market Commentary

Global stocks set record highs as they rose for a seventh straight quarter in the December quarter as US companies overall posted higher-than-expected earnings, the internet giants surged on strong results and their upbeat outlooks, US Congress slashed the corporate tax rate, the Federal Reserve projected that it would only tighten US monetary policy slowly, and the world's major economies grew in unison for the first time in about a decade. European stocks, however, slid on political uncertainty. Ten of the 11 industry classifications within the MSCI World Index rose in US-dollar terms over the quarter. IT and materials were the best-performing sectors while utilities fell.

US stocks reached unprecedented heights as Amazon, Alphabet and Microsoft were among tech stocks that surged after posting better-than-expected earnings. The biggest rewriting of tax laws since 1986 lowered the corporate tax rate from 35% to 21%. The Fed in December raised the cash rate by 25 basis points to between 1.25% and 1.5% and maintained a projection of three rate increases over 2018. The Fed made its fifth post-crisis rate increase – and third for 2017 – on signs that the US economy is growing at close to capacity. The third reading of GDP showed the US economy expanded 3.2% over the September quarter, a pace not achieved since the first quarter of 2015, while the unemployment rate stayed at a 17-year low of 4.1% in November.

European equities struggled after Chancellor Angela Merkel's Christian Democratic Union of Germany Party was unable to form a coalition after indecisive elections in September, Italy's president in December dissolved parliament and called for elections in March that populist euro-sceptic parties are expected to do well at, and pro-independence parties won a slender majority in elections in Catalonia in December, to leave unresolved the Catalonian drive for independence from Spain.

In Asia, Japanese stocks rose after Japan's Prime Minister Shinzō Abe won a snap general election in October that signalled the country's fiscal and monetary stimulus would continue and Japan's economic expansion reached seven consecutive quarters of growth. In China, stocks rose after the Communist party's 19th congress in October cemented the leadership of Xi Jinping across all levers of the government and a report showed China's economy expanded 6.8% in the September quarter from a year earlier.

Strategy Commentary

The strategy recorded a positive return for the quarter. The largest contributors to performance included the investments in Lowe's, Apple and Microsoft. Lowe's gained after announcing higher-than-expected earnings growth for the third quarter and the US's second-largest home-improvement chain was seen as a major beneficiary of lower corporate taxes because it sources all its revenue in the US. Apple rose after its higher-than-expected quarterly revenue and profit results showed iPhones remained popular, aided by the 10-year anniversary launch of the iPhone X, and that its services and wearables businesses are performing well. Microsoft gained after margin expansion in its server software and personal computers businesses drove quarterly earnings of 84 US cents a share, a result that beat consensus and guidance by over 16%. While Microsoft has performed strongly, it remains an attractive investment proposition. Its business software products dominate in their categories and we expect Microsoft will lead the next generation of enterprise computing via its investment in cloud computing.

Over the quarter, stocks that lagged included investments in CVS Health of the US and Aon of the UK. CVS Health fell on concerns that Amazon could become a threat in the pharmacy market though the stock partially rebounded later in the quarter when CVS paid US$68 billion for health insurer Aetna, in a bid to introduce 'one-stop shopping' to healthcare. Aon, a global insurance broker, asset consulting and services firm, declined as competition regulators conducted investigations into industry practices.