Strategy Update: 31 December 2019

MFG ASSET MANAGEMENT

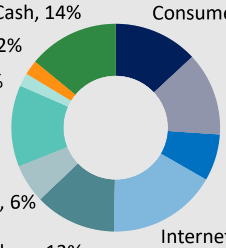
MFG Global Sustainable (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets[1]
Domenico Giuliano	1 October 2016	USD $113.0 million	USD $50,390.9 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

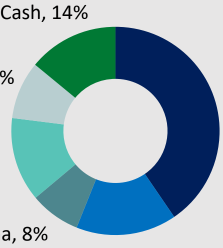
Top 10 Holdings[2]	Sector[2]	%
Alphabet Inc	Internet & eCommerce	6.8
Facebook Inc-A	Internet & eCommerce	5.5
Yum! Brands Inc	Restaurants	5.5
Microsoft Corp	Information Technology	5.4
Alibaba Group Holding Ltd	Internet & eCommerce	4.6
Visa Inc	Payments	4.6
Starbucks Corp	Restaurants	4.3
MasterCard Inc	Payments	4.3
Reckitt Benckiser	Consumer Defensive	4.0
Unilever NV	Consumer Defensive	4.0
	TOTAL:	49.0

Sector Exposure[2]



Strategy Fundamentals[2]	Strategy	Index
Number of Holdings	24	1,638
Carbon Intensity#	29	198.3
Return on Equity	36	16
P/E Ratio (1 year forward)	20.3	17.1
Interest Cover	15	10
Debt/Equity Ratio	90	53
Active Share	82	n/a
Weighted Average Market Cap (USD million)	285,666	n/a

Geographical Exposure[2]



Cumulative Performance[3]	3 Months (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	7.6	27.5	12.3	15.3	14.1
Composite (Net)	7.4	26.5	11.4	14.4	13.2
MSCI World NTR Index	8.6	27.7	8.0	12.6	12.2
Excess (Gross)	-1.0	-0.2	4.3	2.7	1.9
MSCI World Low Carbon Target NTR Index	8.7	28.5	8.2	12.7	12.2

Annual Performance[3]	2019	2018	2017	2016*
Composite (Gross)	27.5	-1.0	21.4	0.3
Composite (Net)	26.5	-1.8	20.4	0.1
MSCI World NTR Index	27.7	-8.7	22.4	1.9
Excess (Gross)	-0.2	7.7	-1.0	-1.6
MSCI World Low Carbon Target NTR Index	28.5	-8.9	22.3	1.5

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. Exposures may not sum to 100% due to rounding.The Index is the MSCI World NTR Index. Refer to the Important Notice below for further information.
3 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. 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 as at 29 June 2018.

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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.

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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. 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 meaningfully lower carbon intensity than broader equity markets. Prior to May 29, 2018 the composite was named the Global Low Carbon Composite. As at 1 February 2019, the composite was redefined to exclude portfolios utilising specific ESG exclusions on societal grounds, in addition to the integrated ESG risk assessment process and low carbon overlay, due to a narrower definition of the ESG universe.

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

Global stocks rose for a fourth consecutive quarter in the three months to December after the Federal Reserve cut its key rate for the third time in four months to help an economy extend its growth record well into 2020, China and the US eased up on their trade war, US companies on average reported better-than-expected earnings for the September quarter and the UK election victory for the Conservative party settled that the country would leave the EU and meant the UK avoided the radical policies proposed by Labour. During the quarter, all 11 sectors rose in US-dollar terms. Information technology (+14%) rose the most while real estate (+1.2%) rose the least. The Morgan Stanley Capital International World Index gained 8.6% in US dollars.

US stocks rose to record highs over the quarter. In October, the Fed reduced its key lending rate by a quarter point to between 1.5% and 1.75% and signalled no more imminent reductions. Financial research and data company FactSet said that for the third quarter 75% of S&P 500 companies reported earnings per share above estimates, a 'beat rate' that is above the five-year average of 72%. In December, Chinese and US trade officials justified optimism when they came to a 'phase one' pact on trade that de-escalated a tariff war, notwithstanding that tensions between Beijing and Washington rose when US Congress in November passed almost unanimously a bill compelling Washington to support the protesters in Hong Kong. Economic news released during the quarter was largely upbeat. Reports showed the US economy expanded at 2.1% in the third quarter, US factory production rebounded by 1.1% in November to post its biggest monthly increase in two years, and the jobless rate fell to a 50-year low of 3.5% in September and November. In political news, almost all Democrat lawmakers in the House of Representatives voted to impeach President Donald Trump for abuse of power and obstructing Congress but failed to gain any Republican support during the two votes. Lawmakers in December passed spending measures that avoided a government shutdown as numbers released in October showed the US federal deficit widened to a seven-year high of US$984 billion in fiscal 2019, the fourth straight annual increase. The S&P 500 Index advanced 8.5%.

European stocks reached record highs on the UK election victory for the Conservatives and signs emerged the eurozone economy had stabilised. In the UK, parliament passed the measures required to ensure the country left the EU on January 31. In economic news, the eurozone's GDP rose 0.2% in the third quarter although industrial production fell 0.5% in October from September. The Euro Stoxx 50 Index added 4.9%.

In other markets, Japan's Nikkei 225 Index surged 8.7% on hopes that a fiscal package would help an economy that grew at an annualised rate of just 0.2% in the third quarter. China's CSI 300 Index gained 7.4% as concerns about the economy prompted China's central bank to cut its short-term lending rate for the first time in four years. The S&P/ASX 200 Accumulation Index rose 0.7% as recent rate cuts helped revive the housing market. The MSCI Emerging Markets Index rallied 11.4%.

Movements in benchmark indices are in local currency unless stated otherwise.

Strategy Commentary

The portfolio recorded a positive return in the quarter. The biggest contributors included the investments in Alibaba, Apple and HCA Healthcare. Alibaba surged after the Chinese conglomerate reported a 40% jump in revenue for the third quarter, its Singles Day online retail promotion reaped a record 268 billion yuan (US$38.3 billion), and the company raised US$11 billion via an IPO in Hong Kong. Apple gained after the company boosted sales forecasts, citing the popularity of the latest iPhone 11, new services such as Apple TV+ and items such as AirPods, and the easing of trade tensions between Washington and Beijing meant iPhones avoided tariffs in China. HCA Healthcare jumped on higher inpatient and outpatient surgeries for the third quarter that removed doubts about the US hospital chain's outlook raised by a disappointing second-quarter result.

The biggest detractors included the investments in Yum! Brands and Danone. Yum! Brands fell as the owner of Pizza Hut, KFC and Taco Bell reported a slightly lower-than-expected rise in same-store sales of 3% for the third quarter and lower margins. Danone slid after disappointing yoghurt sales in the US and weak bottled-water numbers in Europe prompted the company to lower its full-year sales forecast.