

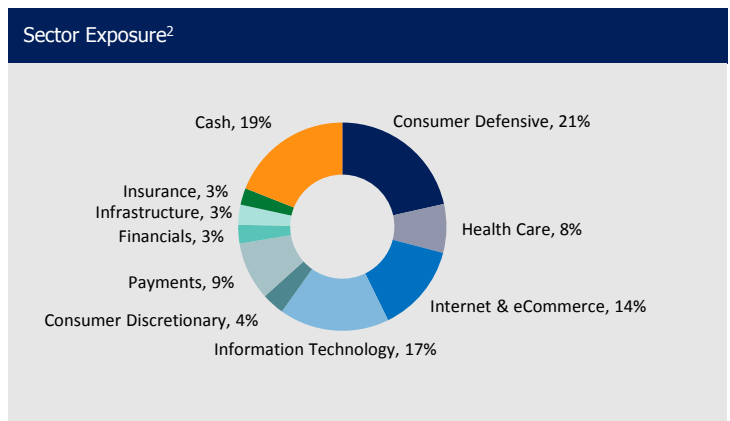
MFG Global Equity (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets ¹
Hamish Douglass	1 July 2007	USD \$29,132.3 million	USD \$36,925.5 million

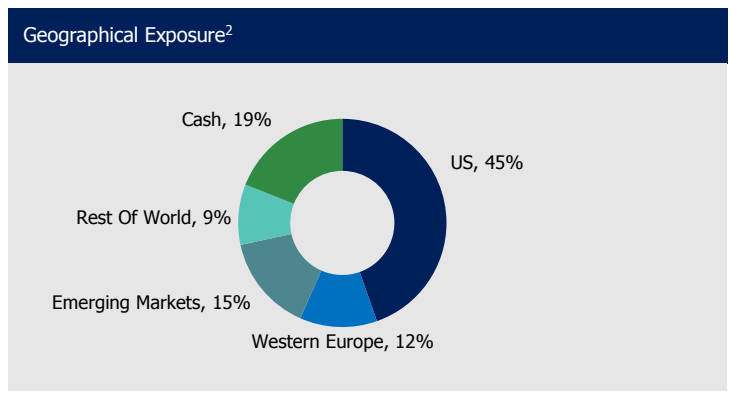
Objective	Approach
Capital preservation in adverse markets	High conviction (20-40 securities), high quality focus
Pre-fee return of 10%p.a. through the economic cycle	Dual-sleeve portfolio construction with dynamic allocation to cash (max 20%) Combined Risk Ratio cap of 0.8^

Strategy Fundamentals ²	Strategy	Index
Number of Holdings	21	1,602
Return on Equity	28	17
P/E Ratio (1 year forward)	18.8	14.5
Interest Cover	17	11
Debt/Equity Ratio	43	50
Active Share	87	n/a
Weighted Average Market Cap (USD million)	233,607	n/a

Top 10 Holdings ²	Sector ²	%
Alphabet Inc	Internet & eCommerce	6.5
Facebook Inc-A	Internet & eCommerce	5.4
Microsoft Corp	Information Technology	5.4
Visa Inc	Payments	5.3
Starbucks Corp	Consumer Defensive	5.3
Apple Inc	Information Technology	5.1
HCA Healthcare Inc	Health Care	4.2
Yum! Brands Inc	Consumer Defensive	3.9
Kraft Heinz Co	Consumer Defensive	3.8
Oracle Corp	Information Technology	3.8
TOTAL:		48.7



Capital Preservation Measures ⁴	3 Years	5 Years	7 Years	10 Years	Since Inception
Adverse Markets					
No of observations	10	17	20	32	43
Outperformance consistency	90%	94%	95%	97%	93%
Average return – Strategy	-3.0%	-1.8%	-1.5%	-2.4%	-3.8%
Average return – Benchmark	-5.0%	-4.3%	-4.4%	-6.0%	-8.1%
Down Market Capture	0.6	0.4	0.3	0.4	0.5
Drawdown					
Maximum Drawdown - Strategy	-9.2%	-9.2%	-9.2%	-13.5%	-36.0%
Maximum Drawdown - Index	-13.4%	-13.4%	-13.4%	-19.6%	-54.0%



Cumulative Performance ³	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	-9.2	0.4	9.6	7.9	12.8	15.7	11.1
Composite (Net)	-9.4	-0.4	8.7	7.0	11.9	14.8	10.2
MSCI World NTR Index	-13.4	-8.7	6.3	4.6	9.0	9.7	3.5
Excess (Gross)	4.2	9.1	3.3	3.3	3.8	6.0	7.6
MSCI World Qual. Mix NTR	-11.4	-6.5	7.0	6.0	9.4	10.4	5.0
MSCI Min. Vol. NTR	-7.3	-2.0	7.3	7.7	9.2	10.0	5.5

Annual Performance ³	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Composite (Gross)	0.4	25.2	4.7	4.2	6.6	30.8	21.6	11.9	18.3	39.4	-21.6
Composite (Net)	-0.4	24.2	3.9	3.4	5.7	29.8	20.7	11.0	17.4	38.3	-22.3
MSCI World NTR Index	-8.7	22.4	7.5	-0.9	4.9	26.7	15.8	-5.5	11.8	30.0	-40.7
Excess (Gross)	9.1	2.8	-2.8	5.1	1.7	4.1	5.8	17.4	6.5	9.4	19.1
MSCI World Qual. Mix NTR	-6.5	21.5	7.9	1.6	7.3	24.5	13.0	0.7	11.4	27.7	-35.4
MSCI Min. Vol. NTR	-2.0	17.3	7.5	5.2	11.4	18.6	8.1	7.3	12.0	16.4	-29.7

Supplementary Statistical Measures ⁵	3 Years	5 Years	7 Years	Since Inception
Turnover	19.9%	19.8%	18.4%	14.2%
Beta	0.8	0.9	0.8	0.8
Tracking Error (% p.a.)	4.4%	4.2%	4.8%	6.7%
Standard Deviation – Strategy	9.4%	9.9%	9.7%	13.1%
Information Ratio	0.7	0.8	0.8	1.1

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 Equity 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.

4 Risk measures are calculated before fees and in USD. An adverse market is defined as a negative quarter, rolled monthly, for the MSCI World Net TR USD Index, whilst drawdown measures are measured monthly.

5 Supplementary Statistical Measures Beta, Tracking Error and Information Ratio are calculated in USD using the MSCI World NTR Index.

^ 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.

IMPORTANT NOTICE

This material is being furnished to you to provide summary information regarding Magellan Asset Management Limited 'doing business as'/trading as' MFG Asset Management ('MFG Asset Management') and an investment fund or investment strategy managed by MFG Asset Management ('Strategy'). No distribution of this material will be made in any jurisdiction where such distribution is not authorised or is unlawful. This material does not constitute, and may not be used for the purpose of, an offer or solicitation in any jurisdiction or in any circumstances in which such an offer or solicitation is unlawful or not authorized or in which the person making such offer or solicitation is not qualified to do so. This material is not intended to constitute advertising or advice of any kind and you should not construe the contents of this material as legal, tax, investment or other advice.

The investment program of the Strategy presented herein is speculative and may involve a high degree of risk. The Strategy is not intended as a complete investment program and is suitable only for sophisticated investors who can bear the risk of loss. The Strategy may lack diversification, which can increase the risk of loss to investors. The Strategy's performance may be volatile. The past performance of the Strategy is not necessarily indicative of future results and no person guarantees the performance of the Strategy or the amount or timing of any return from it. There can be no assurance that the Strategy will achieve any targeted returns, that asset allocations will be met or that the Strategy will be able to implement its investment Strategy or achieve its investment objective. The management fees, incentive fees and allocation and other expenses of the Strategy will reduce trading profits, if any, or increase losses. The Strategy will have limited liquidity, no secondary market for interests in the Strategy is expected to develop and there are restrictions on an investor's ability to withdraw and transfer interests in the Strategy. In making an investment decision, you must rely on your own examination of any offering documents relating to the Strategy.

No representation or warranty, express or implied, is made with respect to the correctness, accuracy, reasonableness or completeness of any of the information contained in this material. This information is subject to change at any time and no person has any responsibility to update any of the information provided in this material. MFG Asset Management will not be responsible or liable for any losses, whether direct, indirect or consequential, including loss of profits, damages, costs, claims or expenses, relating to or arising from your use or reliance upon any part of the information contained in this material including trading losses, loss of opportunity or incidental or punitive damages.

This material is strictly confidential and is being provided to you solely for your information and must not be copied, reproduced, published, distributed, disclosed or passed to any other person at any time without the prior written consent of MFG Asset Management. Any trademarks, logos, and service marks contained herein may be the registered and unregistered trademarks of their respective owners. Nothing contained herein should be construed as granting by implication, or otherwise, any licence or right to use any trademark displayed without the written permission of the owner.

United Kingdom - This material does not constitute an offer or inducement to engage in an investment activity under the provisions of the Financial Services and Markets Act 2000 (FSMA). This material does not form part of any offer or invitation to purchase, sell or subscribe for, or any solicitation of any such offer to purchase, sell or subscribe for, any shares, units or other type of investment product or service. This material or any part of it, or the fact of its distribution, is for background purposes only. This material has not been approved by a person authorised under the FSMA and its distribution in the United Kingdom and is only being made to persons in circumstances that will not constitute a financial promotion for the purposes of section 21 of the FSMA as a result of an exemption contained in the FSMA 2000 (Financial Promotion) Order 2005 as set out below. This material is exempt from the restrictions in the FSMA as it is to be strictly communicated only to 'investment professionals' as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (FPO).

United States of America - This material is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of MFG Asset Management to create legal relations on the basis of information provided herein. Where performance figures are shown net of fees charged to clients, the performance has been reduced by the amount of the highest fee charged to any client employing that particular 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 and also may be found in Part II of MFG Asset Management's Form ADV.

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.

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 portfolios managed by subsidiaries operating as distinct business entities.

The Global Equity composite is a concentrated global equity strategy investing in high quality companies (typically 20-40 stocks). 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 Equity strategy are to earn superior risk adjusted returns through the business cycle whilst minimising the risk of a permanent capital loss. The composite was created in December 2011.

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.

GLOBALUSD43465

Market Commentary

Global stocks in the December quarter staged their worst quarterly performance in more than seven years after tighter US monetary policy, tensions between China and the US, key resignations from the US administration, and political uncertainty in Europe fanned doubts about the global economic outlook. During the quarter, 10 of the 11 sectors fell in US-dollar terms. Energy (-22%) and IT (-17%) fell most while utilities (+0.5%) rose.

US stocks slumped as political uncertainty intensified and the Federal Reserve disappointed those who hoped the central bank would end its rate increases when it delivered an expected increase in December. Concerns about the stability of the administration of President Donald Trump swelled after Defence Secretary James Mattis quit in December over Trump's decision to pull US troops from Syria. Concerns rose further when an impasse with Congress about paying for a wall along the Mexican border led to a partial government shutdown, and Trump reportedly looked into sacking Jerome Powell, his appointee as Fed chairman, for raising US rates too fast. In December, the Fed raised the US cash rate by 25 basis points to between 2.25% and 2.5%, the fourth rate increase of 2018 and the ninth rate increase since the global financial crisis. Investors were disappointed that the Fed only reduced its forecast for rate increases in 2019 from three to two – some were hoping for none. The US ended 2018 with the jobless rate at a 49-year low of 3.7% and inflation largely contained to about 2% on key barometers.

European stocks fell as political concerns in France, Germany, Italy and the UK grew and the risk of a recession in the eurozone rose after Germany's economy contracted in the September quarter. In France, judged a source of renewed European integration since centrist Emmanuel Macron won presidential elections last year, Macron's credibility was dented after he buckled to the widespread demands of yellow vest protesters, whose original gripe was against an increase in the tax on petrol and diesel for environmental reasons. German politics was jolted when the political party (and its Bavarian equivalent) led by Chancellor Angela Merkel fared so poorly in two state elections in October she said she would step down as leader of the Christian Democratic Union in December. This unexpected decision raised doubts about how long Merkel can survive as leader of Europe's biggest economy (which she can do even after she stepped down as party leader). Italy's new government created uncertainty when the EU rejected its proposed budget deficit for fiscal 2019, an unprecedented step against any EU member. In the UK, the government of Theresa May postponed a parliamentary vote on Brexit from December 11 until mid-January, heightening talk the UK will depart from the EU without any agreement. Even though concerns grew that the eurozone economy is stalling, the European Central Bank said it would end its net asset-buying by year end. Reports showed the eurozone economy only expanded 0.2% in the third quarter, as Germany's economy contracted the same amount.

Japanese stocks tumbled after the Bank of Japan trimmed its inflation forecast for fiscal 2020 to 1.5%, which is under its goal of 2%. Chinese stocks fell as the trade dispute with the US and a crackdown on shadow lending intensified doubts about the strength of its economy. Emerging markets overall slid on the gloomy global outlook.

Strategy Commentary

The strategy recorded a negative return for the quarter. The stocks that struggled most included the investments in Apple, Facebook and Kraft Heinz. Apple tumbled after earnings downgrades by key suppliers raised concerns about the strength of demand for Apple's latest devices. Facebook fell after media reports attacked how top executives handled fake news, privacy issues and other incidents. Kraft Heinz slid after its cost cutting was delayed in order to support better sales growth during the third quarter.

Stocks that performed best included the investments in Starbucks, McDonald's and Yum! Brands. Starbucks surged after faster-than-expected sales growth of 4% in the Americas and 3% globally for the third quarter beat expectations, and the coffee chain said it would cut about 5% of the workers based in its headquarters in Seattle to reduce costs. McDonald's rose on higher-than-expected sales in the third quarter thanks to better performances in Australia, Canada and the UK. Yum! Brands rose after same-store sales and profit for the third quarter outdid expectations.



Microsoft: The software giant in the Nadella era is strengthening its hold on the business world.

Satya Nadella, 51, who joined Microsoft in 1992, was made the company's third CEO in 2014, as co-founder and first CEO Bill Gates resigned as chairman. At the time, the software giant was criticised for missing out on the mobile revolution, and Microsoft's share price had idled for more than a decade.

The Nadella era is so far proving to be one of the most dynamic in the history of Microsoft, especially in terms of its stock price. The company founded in 1975 recorded an adjusted net profit of US\$30.3 billion in fiscal 2018, an increase of 18% on the previous year. This profit was built on sales of US\$110.4 billion, 14% higher than a year earlier and 27% higher than in 2014. The share price of the company has tripled since 2014. On December 31 just gone, Microsoft was the world's most valuable company.

Ironically for a company that is a household name and offers many consumer-targeted products such as Windows PCs, Xbox and its Bing search engine, Microsoft's successes are built on its two business-oriented divisions, which have expanded sales at double-digit rates in recent years. One is the business-focused or 'Productivity' division, which generated 37% of Microsoft's operating profits in fiscal 2018. The other is the 'Intelligent Cloud' division (including its rapidly growing Azure hyperscale public cloud), which pulled in 33% of operating profits in fiscal 2018. The segment aimed more at consumers is known as the 'More Personal Computing' division.

We estimate that 80% of Microsoft's profits are sourced from businesses. The Windows PC operating system remains critical to business operations globally. Microsoft Office has a 90% market share on office 'productivity' software globally. Microsoft's data-centre software products are deployed globally enabling ecosystems of third-party applications and further protected by the high cost and risk of switching to competing products. Microsoft is the second-largest vendor after Amazon Web Services in the rapidly growing public cloud market. Such holds on business are what make Microsoft a compelling long-term investment.

To be sure, much of Microsoft's success in cloud and enterprise software is due to investments and decisions made in the era of CEO number two, Steve Ballmer (2000-2014). So all the credit can't be attributed to the Nadella era (or Nadella). The sales growth of the More Personal Computing, which is still too large a market to overlook, has been more challenging as households have increasingly opted for smartphones and tablets over replacing their home PCs. The growth rate of the cloud and business software businesses is expected to slow over time.

But while the cloud and business software markets stay strong, Microsoft is investing to benefit. The 11% annual revenue growth across Microsoft's Productivity and Intelligent Cloud segments over the past three years, as More Personal Computing sales shrank at a 0.9% annual rate, show how Microsoft is shifting away from its PC-centric beginnings. This profitable shift towards businesses will epitomise Microsoft's Nadella era and, most likely, well beyond.

Steadier streams

Microsoft under Nadella, so far at least, is noticeable for how the company is more reliant on selling pay-for-use services that are often tied to multi-year contracts, rather than on product licences for software, where payment is upfront.

Other noticeable things Microsoft has done in the Nadella era are takeovers to acquire networks and intellectual capital. In 2016, Microsoft bought LinkedIn for US\$26 billion. In a reversal on its pre-Nadella era stance against open-sourced software, in 2018 Microsoft paid US\$7.8 billion for GitHub, an online code-sharing platform used by more than two million businesses and developers to write, store and share software. In 2014, Microsoft paid US\$2.5 billion for Mojang, the publisher of the Minecraft video game, to bolster its gaming business. Other focuses have been spending discipline, ensuring privacy and cybersecurity, and exploring the opportunities presented by artificial intelligence and the internet of things.

Amid all these efforts, Microsoft is posting impressive results for an established tech company. For the first quarter of fiscal 2019, Microsoft posted a 19% jump in revenue to US\$29.1 billion compared with a year earlier, as revenue from the Intelligent Cloud division surged 24% while sales from Azure soared 76%. Net income for the quarter jumped 34% to US\$8.8 billion.

To the benefit of investors, the Nadella era is becoming synonymous for such double-digit earnings-per-share growth.

Sources: Company filings and website and Bloomberg.