Strategy Update: 31 March 2018

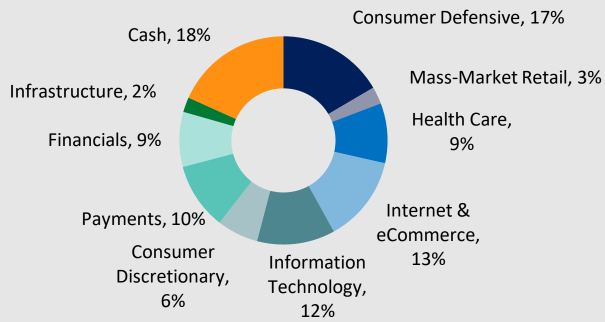
MFG Global Low Carbon (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets[1]
Domenico Giuliano	1 October 2016	USD $55.3 million	USD $37,293.4 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

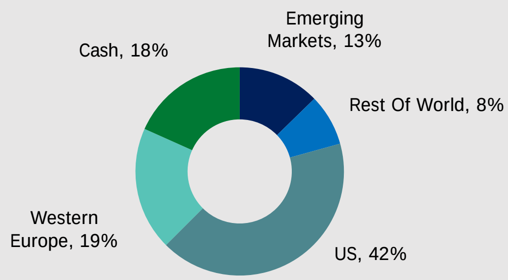
Top 10 Holdings[2]	Sector	%
Alphabet Inc	Internet & eCommerce	5.9
Facebook Inc-A	Internet & eCommerce	5.4
Starbucks Corp	Consumer Defensive	4.4
HCA Holdings Inc	Health Care	4.1
Oracle Corp	Information Technology	4.0
Microsoft Corp	Information Technology	4.0
Wells Fargo & Co	Financials	3.8
Visa Inc	Payments	3.7
American Express Co	Payments	3.5
Yum! Brands Inc	Consumer Defensive	3.5
	TOTAL:	42.3

Sector Exposure[2]



Strategy Fundamentals[2]	Strategy	Index
Number of Holdings	28	1,647
Carbon Intensity#	23.2	194.1
Return on Equity	25	15
P/E Ratio (1 year forward)	16.3	15.4
Interest Cover	9	11
Debt/Equity Ratio	86	51
Active Share	80	n/a
Weighted Average Market Cap (USD million)	189,846	n/a

Geographical Exposure[2]



Cumulative Performance[3]	3 Months (%)	1 Year (%)	Since Inception (% p.a.)
Composite (Gross)	**-0.5**	**13.3**	**13.7**
Composite (Net)	-0.7	12.4	12.8
MSCI World NTR Index	-1.3	13.6	14.9
Excess (Gross)	0.8	-0.3	-1.2
MSCI World Low Carbon Target NTR Index	-1.3	13.1	14.6

Annual Performance[3]	CYTD (%)	2017	2016#
Composite (Gross)	**-0.5**	**21.4**	**0.3**
Composite (Net)	-0.7	20.4	0.1
MSCI World NTR Index	-1.3	22.4	1.9
Excess (Gross)	0.8	-1.0	-1.6
MSCI World Low Carbon Target NTR Index	-1.3	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. 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.
# Index value as at 29 December 2017

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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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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 20-50 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 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.

Market Commentary

Global stocks fell for the first quarter in eight in the March quarter after US President Donald Trump imposed import restrictions that could lead to trade wars (especially with China), concerns mounted that US inflation might accelerate enough to prompt the Federal Reserve to tighten monetary policy more quickly than expected, worries gripped that regulators would crack down on US technology companies, and populist parties dominated in Italy's election. During the quarter, nine of the 11 sectors in the MSCI World Index fell in US-dollar terms. Telecoms (-5.9%) and energy (-5.4%) fell most while information technology fared best (+3.4%).

US stocks slid as concerns mounted about trade wars, inflation, tech regulation and the stability of the Trump administration. The White House imposed tariffs on steel (25%) and aluminium (10%), likely prompting Trump's top economic adviser Gary Cohn to resign, and targeted China with at least US$50 billion worth of tariffs. After a report showed accelerating wages growth, investors fretted that fiscal stimulus in the form of corporate tax cuts and extra spending would prompt the Fed to raise the cash rate more than three times in 2018. In March, the Fed raised the US cash rate by 25 basis points to between 1.5% and 1.75%, its highest range since the global financial crisis began, but still flagged only another two rate increases this year. The clouds over tech stocks included concerns about data privacy, and moves by the EU to tax their revenues. Over the quarter, economic reports showed wages rose a higher-than-expected 2.9% in the 12 months to January, the highest since 2009, the jobless rate stayed at a 17-year low of 4.1% for a fifth consecutive month in February and the US economy expanded a revised 2.9% in the fourth quarter. The S&P 500 Index fell 1.2%.

European stocks fell amid political uncertainty even though economic readings were positive. Investors were concerned about the shape and direction of Italy's next government after eurosceptic and anti-establishment parties won 55% of the popular vote in elections that left the debt-heavy government with a hung parliament. Reports out over the quarter showed the eurozone economy expanded 0.6% in the fourth quarter, consumer prices rose 1.1% in the 12 months to February and industrial production rose 2.7% in January from a year earlier. The Euro Stoxx 50 Index lost 4.1%.

In Asia, Japanese stocks sagged as a cronyism scandal enveloping Prime Minister Shinzō Abe could see him lose a party leadership election this September. Over the quarter, a report showed Japan's economy, after expanding at an annualised rate of 0.5% in the fourth quarter, had notched eight consecutive quarters of growth, the longest such stretch in 28 years. In China, parliament abolished the term limits on the presidency that were installed in 1982, effectively making Xi Jinping ruler for as long as he wishes. Japan's Nikkei 225 Index slumped 6.6% while China's CSI 300 Index fell 3.3%.

Strategy Commentary

The strategy recorded a negative return for the quarter. Stocks that lagged included the investments in Facebook, Wells Fargo and Kraft Heinz. Facebook slumped after news that the data of about 50 million users was improperly gained by a UK company and used to target voters in the US elections of 2016. This triggered investigations in the UK and US that pointed to stiffer regulation of tech companies. (In April, the number of users whose data was improperly gained was boosted to 87 million.) Wells Fargo slid after the Federal Reserve took the unusual step of banning the bank from expanding its assets until the lender can show it has resolved its "widespread consumer abuses and compliance breakdowns". Kraft Heinz dropped after disappointing sales figures in the fourth quarter showed the plight of the US packaged-food industry and margin improvement was below expectations.

Stocks that performed best included the investments in Mastercard, HCA Healthcare, Booking and Visa. Mastercard and Visa gained after the payments companies revealed that fourth-quarter earnings beat estimates – in Mastercard's case, for instance, adjusted earnings per share surged 33% – due to higher consumer spending, and the companies boosted forecasts for 2018. HCA surged after the hospital chain reported a higher-than-expected profit for the fourth quarter on higher revenue and better control of expenses, said it would enjoy a lower effective tax rate of 25%, announced it would pay its first-ever quarterly dividend, and disclosed a US$10.5 billion investment plan over the next three years. Booking surged after the travel company (formerly called Priceline) reported fourth-quarter earnings that beat analyst earnings after the company expanded non-hotel accommodations and its TV-based ad campaign helped boost bookings and revenue.