Strategy Update: 30 September 2019

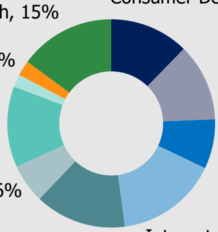
MFG Global Sustainable (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets[1]
Domenico Giuliano	1 October 2016	USD $90.7 million	USD $45,576.9 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

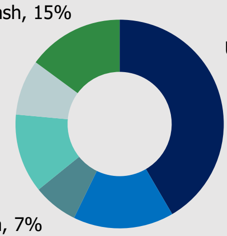
Top 10 Holdings[2]	Sector[2]	%
Alphabet Inc	Internet & eCommerce	6.8
Facebook Inc-A	Internet & eCommerce	5.2
Microsoft Corp	Information Technology	5.2
Starbucks Corp	Restaurants	4.7
Visa Inc	Payments	4.5
MasterCard Inc	Payments	4.2
HCA Healthcare Inc	Health Care	4.2
Reckitt Benckiser	Consumer Defensive	4.1
Yum! Brands Inc	Restaurants	4.0
Alibaba Group Holding Ltd	Internet & eCommerce	3.9
	TOTAL:	46.8

Sector Exposure[2]



Strategy Fundamentals[2]	Strategy	Index
Number of Holdings	24	1,641
Carbon Intensity#	27.3	198.3
Return on Equity	28	16
P/E Ratio (1 year forward)	18.8	15.8
Interest Cover	12	11
Debt/Equity Ratio	69	53
Active Share	89	n/a
Weighted Average Market Cap (USD million)	257,033	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)	0.1	6.4	11.4	12.6	12.6
Composite (Net)	-0.1	5.5	10.5	11.7	11.7
MSCI World NTR Index	0.5	1.8	6.4	10.2	10.2
Excess (Gross)	-0.4	4.6	5.0	2.4	2.4
MSCI World Low Carbon Target NTR Index	0.8	2.4	6.6	10.2	10.2

Annual Performance[3]	CYTD (%)	2018	2017	2016*
Composite (Gross)	18.5	-1.0	21.4	0.3
Composite (Net)	17.8	-1.8	20.4	0.1
MSCI World NTR Index	17.6	-8.7	22.4	1.9
Excess (Gross)	0.9	7.7	-1.0	-1.6
MSCI World Low Carbon Target NTR Index	18.3	-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.

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. MFG Asset Management is a wholly-owned subsidiary of the publicly listed company Magellan Financial Group Limited. MFG Asset Management is based in Sydney, Australia. Total Firm assets is defined as all assets managed by MFG Asset Management, excluding assets managed by subsidiaries operating as distinct business entities.

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 third consecutive quarter in the three months to September after the Federal Reserve and the European Central Bank eased monetary policy, investors grew hopeful the China-US trade war would be contained and US companies on average reported better-than-expected earnings for the June quarter. Gains were capped when Saudi Arabia's oil processing facilities were attacked by drones blamed on Iran, the UK headed towards a 'no deal' departure from the EU, Hong Kong riots directed at China grew violent, Argentina defaulted and manufacturing gauges pointed to a slowing in the world economy. The Morgan Stanley Capital International World Index rose 0.5% in US dollars.

US stocks rose after the Fed delivered its first rate reductions in 11 years, the US economic expansion became the longest in history when it entered its 121st month in July, Congress passed a deal that defused the debt-limit issue for two years, and company earnings on average beat forecasts. The Fed fulfilled expectations when it reduced its key lending rate by a quarter point in July and September to lower the range to 1.75% to 2%, though this wasn't enough for US President Donald Trump who said the "enemy" Fed led by Jerome Powell had "no guts". Trade tensions with China eased when Trump postponed some tariff increases on consumer goods from China until December, though not before Trump declared China a currency manipulator and told US companies they "should leave China". House Speaker Nancy Pelosi initiated a formal impeachment inquiry against Trump for seeking to enlist Ukraine to smear leading Democrat presidential candidate Joe Biden. In economic news, a report showed the US economy expanded at an annualised pace of 2.0% in the second quarter. The Congressional Budget Office said the US federal budget deficit is projected to reach more than US$1 trillion in fiscal 2020, two years earlier than previously predicted. The S&P 500 Index rose 1.2%.

European stocks rose after the ECB reduced the cash rate for the first time in three years – albeit by just a tenth of a percentage point to minus 0.5% – and announced it would restart quantitative easing in November. Gains were capped when political uncertainty rose in Italy and the UK and concerns grew about Germany's economy, Europe's largest. Italy's 14-month-old government between the right-wing League and the anti-establishment Five Star Movement collapsed and was replaced by an unlikely coalition between Five Star and the centre-left Democratic Party that looked even more fragile when former prime minister Matteo Renzi left the Democratic Party to start a new party. UK Prime Minister Boris Johnson unexpectedly shut down parliament for five weeks – a move declared unlawful by the UK's Supreme Court – to dare opponents of his Brexit strategy to force an election ahead of the October 31 deadline for the UK's departure from the EU. Economic reports showed the UK economy contracted 0.2% in the second quarter and Germany's economy shrank 0.1% over the three months, while the eurozone economy expanded only 0.2%. The Euro Stoxx 50 Index rose 2.8%.

Japanese stocks rose after the conservative coalition led by Prime Minister Shinzō Abe secured a majority of seats in elections for the upper house. Chinese stocks edged down after a report showed the economy grew an annualised 6.2% in the June quarter, the slowest rate in nearly three decades. Australian stocks broke through their high of 2007 after the Reserve Bank of Australia in July reduced the cash rate for a second consecutive month to stir the economy. Japan's Nikkei 225 Index added 2.3%. China's CSI 300 Index lost 0.3%. The S&P/ASX 200 Accumulation Index jumped 2.4%. The MSCI Emerging Markets Index lost 5.1% after Argentina defaulted on US$101 billion of debt.

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

Strategy Commentary

The strategy recorded a positive return for the September quarter. The biggest contributors included the investments in Alphabet, Chipotle Mexican Grill and Apple. Alphabet climbed after sales growth in the second quarter rebounded from a sluggish first quarter and the Google parent announced a US$25 billion share buyback. Chipotle rose after management aired plans for its rewards program and new menu items that could help drive sales growth at the fast-food chain that has posted six straight quarters of higher sales. Apple gained after the company forecast robust sales growth from the new iPhone models.

The biggest detractors were the investments in SAP and HCA Healthcare. SAP fell after the company reported lower margins and a decline in growth in new cloud bookings for the second quarter. HCA Healthcare dropped after the US hospital chain's earnings report for the second quarter disappointed due to an unfavourable shift in the medical-surgical mix of operations and more political uncertainty was priced into health stocks as Democratic presidential candidates offered different proposals to improve the US health system.