Strategy Update: 31 March 2020

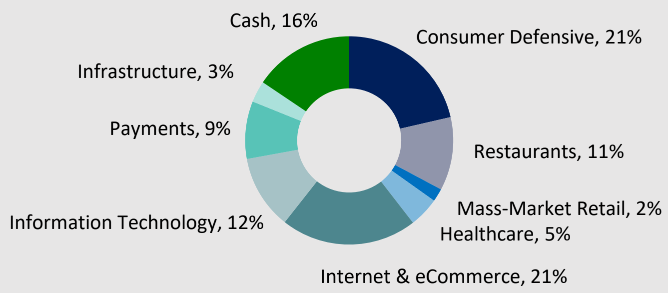
MFG Global Sustainable (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets [1]
Domenico Giuliano	1 October 2016	USD $86.5 million	USD $44,134.6 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

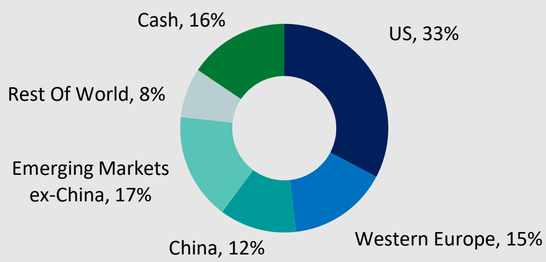
Top 10 Holdings[2]	Sector[2]	%
Alphabet Inc	Internet & eCommerce	7.2
Microsoft Corp	Information Technology	6.6
Facebook Inc-A	Internet & eCommerce	5.4
Alibaba Group Holding Ltd	Internet & eCommerce	5.1
Visa Inc	Payments	4.7
Reckitt Benckiser	Consumer Defensive	4.5
Yum! Brands Inc	Restaurants	4.5
MasterCard Inc	Payments	4.2
Unilever NV	Consumer Defensive	4.1
Starbucks Corp	Restaurants	3.9
	TOTAL:	50.2

Sector Exposure[2]



Strategy Fundamentals[2]	Strategy	Index
Number of Holdings	25	1641
Carbon Intensity[#]	35	170
Return on Equity	34	14
P/E Ratio (1 year forward)	19.1	14.0
Interest Cover	16	10
Debt/Equity Ratio	98	54
Active Share	80	n/a
Weighted Average Market Cap (USD million)	293,937	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)	-16.9	-5.3	2.6	6.1	7.2
Composite (Net)	-17.1	-6.1	1.8	5.2	6.4
MSCI World NTR Index	-21.1	-10.4	-3.5	1.9	4.0
Excess (Gross)	4.2	5.1	6.1	4.2	3.2
MSCI World Low Carbon Target NTR Index	-20.9	-9.6	-3.1	2.0	4.1

Annual Performance[3]	CYTD (%)	2019	2018	2017	2016[*]
Composite (Gross)	-16.9	27.5	-1.0	21.4	0.3
Composite (Net)	-17.1	26.5	-1.8	20.4	0.1
MSCI World NTR Index	-21.1	27.7	-8.7	22.4	1.9
Excess (Gross)	4.2	-0.2	7.7	-1.0	-1.6
MSCI World Low Carbon Target NTR Index	-20.9	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.
[#]Source: MSCI World Index Carbon Intensity level as at 31 December 2019.

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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 in the three months ended March 31st staged their biggest quarterly decline in more than 10 years after the coronavirus that causes the illness called covid-19 escaped from China and battered global economic activity, corporate earnings and investor sentiment to such an extent the pandemic threatened to usher in a global recession. During the quarter, all 11 sectors dived in US-dollar terms. Energy (-45%) declined the most after Saudi Arabia and Russia commenced an oil price war while healthcare (-12%) fell least. The Morgan Stanley Capital International World Index fell 21% in US dollars – its biggest quarterly drop since the global financial crisis struck in the December quarter of 2008 – but lost only 9.3% in Australian currency due to this currency's depreciation.

US stocks fell as companies withdrew guidance as authorities enforced lockdowns, shuttered many industries and told people to 'self-isolate' as the virus took hold across the 50 states but with particular venom in New York. Emergency fiscal stimulus, radical monetary easing and the provision of vast emergency funding facilities failed to arrest the economic emergency that some commentators said could lead to at least a 10% decline in GDP in the June quarter. Congress passed a package worth US$2 trillion to help households and businesses cope. The Federal Reserve in two unscheduled steps in March cut the US cash rate by 150 basis points to near zero, promised unlimited bond buying to stabilise government and corporate credit markets and announced a US$300 billion program to lend to US companies. Neither stopped a record 3.28 million people from claiming unemployment insurance in the week ended March 21, up 3.0 million from the week before and more than four times the previous record of 695,000 in October 1982. In political news, former vice president Joe Biden all but clinched the Democratic Party's nomination to contend the presidential election against Donald Trump in November by winning most of the primaries held in March after the party's establishment united to defeat the bid by self-described socialist Bernie Sanders. The S&P 500 Index plummeted 20% after reaching a record high in February due to robust earnings reports.

European stocks sank as the coronavirus epidemic took hold, especially in Italy, Spain and France, German politics became unsettled and reports showed the eurozone economy was struggling even before the virus hit. Towns in northern Italy were quarantined in February after they formed the first area in Europe to experience a stream of infections from the novel coronavirus but such steps failed to spare Italy or stop the spread of the pandemic across Europe. German political uncertainty rose when Annegret Kramp-Karrenbauer, the leader of the Christian Democrats, said she would not run for chancellor in next year's election, which threw open the race to succeed Angela Merkel as chancellor. A report in February showed the eurozone economy expanded only 0.1% in the fourth quarter – Germany's economy showed no growth for the three months. Reports in March, when the virus had enforced lockdowns across Europe, showed consumer confidence at a five-year low and business activity plunging – the IHS Markit purchasing managers index for Germany, for example, fell from 50.7 points in February (any figure over 50 indicates expansion) to 37.2 in March. The Euro Stoxx 50 Index plummeted 26%.

In other markets, Japan's Nikkei 225 Index dropped 20% after a report showed the economy shrank at an annualised pace of 6.3% in the fourth quarter due to an increase in the consumption tax and covid-19 posed such a threat schools were closed and large gatherings and sports events were cancelled or curtailed. China's CSI 300 Index lost 10% as measures to contain the coronavirus kept businesses and ports closed and prevented workers from returning to their jobs after the Chinese New Year and the official manufacturing purchasing managers index fell to a record low of 35.7 in February from 50 in January. The S&P/ASX 200 Accumulation Index slumped 21% as authorities froze much economic activity, sparking immediate job losses, and the virus jolt to the global economy mauled material prices. The MSCI Emerging Markets Index shed 24% in US dollars on the prospect of a global recession.

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

Strategy Commentary

The strategy recorded a negative return for the quarter. The biggest detractors were the investments in Yum! Brands, Lowe's and HCA Healthcare. Yum! Brands fell as it shuttered outlets to help stop the transmission of the virus and the company reported a 2% decline in Pizza Hut's same-store sales for the fourth quarter. Lowe's fell as prospects of a US recession dented stocks such as home-improvement companies that are tied to the state of the economy. HCA Healthcare dropped after high-margin elective surgeries were deferred as hospitals built capacity to respond to the pandemic and investors weighed the impact of the unprecedented jump in US unemployment on HCA's revenue mix from different payers. Facebook fell after demand for advertising fell amid the health and economic emergency.

The biggest contributors were the investments in Microsoft, Red Electrica of Spain and Tencent. Microsoft surged to a record high over the quarter after its cloud business helped the software giant beat earnings and revenue forecasts for the fourth quarter of 2019 and then held up relatively well after it was judged a stock that would benefit from the world's switch to online due to the pandemic. Red Electrica, which operates Spain's national electricity grid, gained as investors sought defensive stocks. Tencent rose on an improving earnings outlook and as the virus forced Chinese to work from home and engage more with the company's suite of digital services.