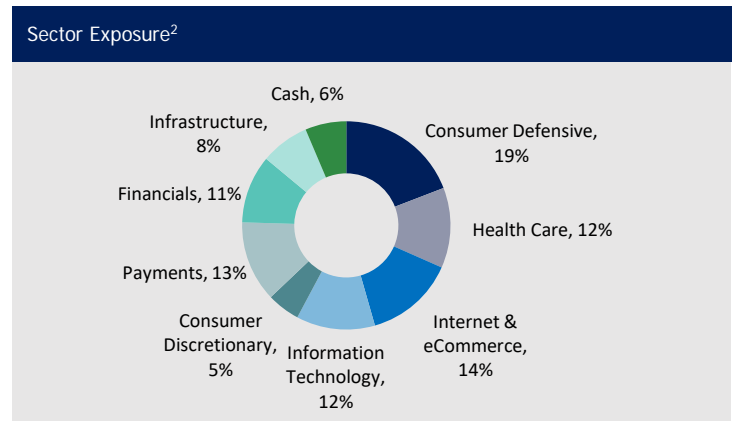


# MFG US Low Carbon (USD)

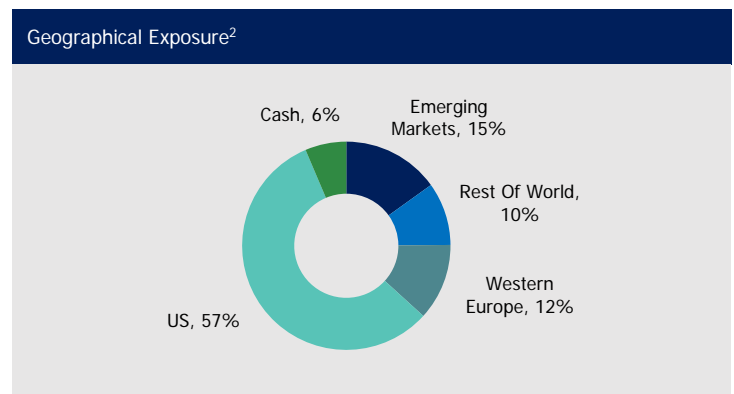
| Portfolio Manager | Strategy Inception Date | Total Strategy Assets | Total Global Assets <sup>1</sup> |
|-------------------|-------------------------|-----------------------|----------------------------------|
| Alan Pullen       | 1 January 2017          | USD \$55.3 million    | USD \$37,293.4 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%)<br>Combined Risk Ratio cap of 0.8 <sup>^</sup> |
| Deliver carbon intensity less than 1/3 of S&P500                     | Integrated ESG with proprietary, multi-dimensional carbon emissions management  |

| Top 10 Holdings <sup>2</sup> | Sector                 | %    |
|------------------------------|------------------------|------|
| Facebook Inc-A               | Internet & eCommerce   | 6.0  |
| Alphabet Inc                 | Internet & eCommerce   | 5.9  |
| Visa Inc                     | Payments               | 5.8  |
| Lowe's Co Inc                | Consumer Discretionary | 5.1  |
| Starbucks Corp               | Consumer Defensive     | 5.1  |
| Kraft Heinz Co               | Consumer Defensive     | 4.9  |
| HCA Holdings Inc             | Health Care            | 4.8  |
| Wells Fargo & Co             | Financials             | 4.6  |
| Yum! Brands Inc              | Consumer Defensive     | 4.1  |
| Fresenius Medical Care AG    | Health Care            | 4.0  |
| TOTAL:                       |                        | 50.3 |



| Strategy Fundamentals <sup>2</sup>        | Strategy | Index |
|---|----------|-------|
| Number of Holdings                        | 26       | 504   |
| Carbon Intensity <sup>#</sup>             | 32.1     | 197.7 |
| Return on Equity                          | 26       | 19    |
| P/E Ratio (1 year forward)                | 17.3     | 16.6  |
| Interest Cover                            | 9        | 13    |
| Debt/Equity Ratio                         | 79       | 54    |
| Active Share                              | 79       | n/a   |
| Weighted Average Market Cap (USD million) | 194,087  | n/a   |



| Cumulative Performance <sup>3</sup> | 3 Months (%) | 1 Year (%)  | Since Inception (% p.a.) |
|-------------------------------------|--------------|-------------|--------------------------|
| <b>Composite (Gross)</b>            | <b>-1.0</b>  | <b>13.5</b> | <b>16.1</b>              |
| Composite (Net)                     | -1.2         | 12.5        | 15.2                     |
| S&P 500 NTR Index                   | -0.9         | 13.3        | 15.8                     |
| Excess (Gross)                      | -0.1         | 0.2         | 0.3                      |

| Annual Performance <sup>3</sup> | CYTD (%)    | 2017 <sup>#</sup> |
|---------------------------------|-------------|-------------------|
| <b>Composite (Gross)</b>        | <b>-1.0</b> | <b>21.7</b>       |
| Composite (Net)                 | -1.2        | 20.7              |
| S&P500 Net TR Index             | -0.9        | 21.1              |
| Excess (Gross)                  | -0.1        | 0.6               |

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 S&P500 Net TR Index. Refer to the Important Notice below for further information.

3 Returns are for the US 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 S&P500 Net TR Index. Please contact MFGAM should you wish for further details on the calculation.

\* Returns are only for part year.

# S&P500 Index Carbon Intensity level updated annually as at 30 June.

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The S&P 500 TR Index is a float adjusted market capitalization weighted index that is designed to measure the equity performance of the top 500 companies in the United States. 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 US Low Carbon composite is a concentrated global equity strategy investing in high quality companies (typically 20-50 stocks), domiciled in the United States, 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 US 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 January 2017.

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.

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## Market Commentary

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US stocks fell for the first quarter in 10 in the March quarter after US President Donald Trump imposed import restrictions that could lead to trade wars (especially with China), concerns mounted about the stability of the Trump administration, angst built that US inflation might accelerate enough to prompt the Federal Reserve to tighten monetary policy more quickly than expected, and worries gripped that regulators would crack down on US technology companies. The S&P 500 Index fell 1.2%.

The White House imposed tariffs on steel (25%) and aluminium (10%) and targeted China with at least US\$50 billion worth of tariffs, a move that reflected Trump's long-standing view that the China is "ripping us off on trade". Stocks fell on concerns that China would retaliate by imposing restrictions on US goods, which Beijing threatened to do. Trump's anti-free-trade stance caused more concern when it prompted his top economic adviser Gary Cohn to resign. The departure of someone seen as tempering Trump's 'nationalistic' views added to the high turnover of key White House staff. Among significant departures during the quarter, Rex Tillerson, secretary of state, was replaced and Herbert McMaster, the national security advisor, resigned.

After a report in February 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.

To limit the decline in US stocks over the quarter, companies reported healthy earnings and made upbeat projections of future profits, helped by the cut in the corporate tax rate in December from 35% to 21%. FactSet, a financial research and data company, found that a record number of S&P 500 companies issued 'positive' earnings-per-share guidance for the first quarter, led by tech. Over the period, FactSet said that 53 companies in the index issued positive guidance, well above the five-year average of 28.

Economic reports released over the quarter showed the US economy is heading towards a tenth year of expansion. Consumer prices rose a higher-than-expected 2.2% in the 12 months to February, 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.

## Strategy Commentary

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The portfolio recorded a negative return in US dollars for the quarter. Stocks that lagged included the investments in Facebook, Wells Fargo and Qualcomm. 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 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". Qualcomm fell after Singapore-based chipmaker Broadcom abandoned a takeover bid for the US chipmaker after Trump blocked the deal, citing risks to national security.

Stocks that performed best included the investments in Mastercard, HCA Healthcare and Nike. Mastercard gained after the payments company revealed that fourth-quarter earnings beat estimates – adjusted earnings per share surged 33% – due to higher consumer spending, and the company 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. Nike rose after fourth-quarter earnings beat estimates thanks to an improvement in the company's struggling North American business.