MFG ASSET MANAGEMENT

MFG GLOBAL EQUITY (USD)

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Portfolio Manager

Portfolio of 20 to 40 high-quality global companies that is designed to achieve attractive risk-adjusted returns and preserve capital in adverse markets

Dear Investor,

We have been managing the MFG Global Equity Strategy together for almost 18 months and we continue to strongly believe in the investing philosophy that grounds the firm and the MFG Global Equity Strategy.

Investing in high-quality, advantaged companies and conducting ongoing extensive due diligence on economics, industries and companies positions us well for finding investments we believe through time can deliver on our wealth creation goals. We are excited by what lies ahead for our portfolio companies, and we are thrilled you are on this journey with us.

The past 12 months have been dominated by the need to fight inflation in most parts of the world. Central banks have been clear about their intentions and have made significant progress in this fight. Evidence shows that the inflationary pulse across the world was set off by the extraordinary period of pandemic response, which saw an unprecedented supply-side and demand-side shock. Supply was brought virtually to a standstill as people were locked down, freight stopped moving, and services stopped being provided. The longer the shutdown prevailed, the harder it was to bring normal flows back. For example, after closing borders and grounding aeroplanes, workers were laid off and whole job functions stopped (e.g. baggage handlers, flight attendants, visa and passport issuance departments). Many of those workers found other jobs so, to restart, businesses needed to vet, hire and train new people.

At the same time, demand trends broke as governments backstopped citizens with support packages while also preventing free movement. People found that the ways to spend were largely limited to goods consumption, which increased while services consumption dropped materially. This bifurcation of demand has made analysis of underlying combined levels of demand difficult, but overall demand levels seemed close to trend in most countries. Excess stimulus monies built up in savings are slowly being drawn down, which is extending the resilience of demand even as interest rates have rapidly pushed higher. Today, from a peak of ~ US$3T of excess savings, the US still has about half that amount in savings, albeit it seems the lowest income groups have little left.

To unravel the forward-looking risks associated with fighting inflation and to understand how interest rates will move from here, it is important to dissect the reasons for the inflation we have seen. The Russia/Ukraine war and restructuring of supply chains away from China have added to the supply shock and have exacerbated the rise in inflation.

Bringing inflation down is likely going to be solved by unlocking economies – reopening borders, rebuilding depleted inventories, sailing ships, moving freight, catching up on lost manufacturing, etc. These measures are well-progressed and the consequent effects are appearing in dramatic drops in some of the most elevated costs – shipping containers, lumber prices, airline tickets and natural gas prices. Medium-term US consumer inflation expectations fell to 3.3% in June from the peak of 5.4%. Inflation is cooling and, importantly, consumer and business inflation expectations remain anchored.

On the demand side, goods demand has largely returned to normal while services demand continues to recoup the old trend line by rising.

Therefore, the questions at this juncture are about the magnitude of the lagged impacts of rapid rate rises. We need to look also at the slowdown in growth; that is, how and where it will be felt, and if something will break.

In March 2023 we saw an asset liability mismatch issue in the banking sector that destabilised confidence and ultimately led to the failure of several large banks in the US and Europe. We did not see a credit crisis emerge, yet this is a foreseeable consequence of the tightening of financial conditions. The Fed and other central banks, which took strong actions that prevented more consequential events in March, will be monitoring these foreseeable risks closely and have demonstrated their proclivity to respond. While this may not prevent extreme events from occurring, it does reduce the probability of such events, and thus the risks for which we should be positioned.

Leading indicators are largely suggesting that an economic recession (two consecutive quarters of negative real GDP growth) lies ahead. But the magnitude and timing remain unclear, and we can pinpoint some factors that may help us navigate this without a significant downturn in economies and thus a reasonably benign investing backdrop.

The yield curve as measured by the spread between 2-year and 10-year US Treasury yields has been inverted for the past year. While this can give a false signal, it is wise not to ignore it when coupled with other leading indicators that similarly suggest a recession is ahead, perhaps in late 2023 or early 2024. In 4Q 2007 real US GDP rose 2.5% year on year and the 2008 recession began soon after. The most recent real US GDP growth was 2.0% year on year. Unemployment typically lags deteriorating economic growth and it again remained low in June at 3.6%.

That said, a recession that occurs while inflation is still at, say, 3-4% could mean quite solid nominal growth and thus a more benign backdrop for equities. In such an outcome, companies lacking pricing power or exposed to significant volume weakness would likely have heightened earning risk. An alternative, but less probable, scenario is that inflation reaccelerates later this year, central banks move aggressively to rein it in and raise rates beyond current expectations, resulting in a deeper but later recession.

It suggests to us that companies with sensitivity to the economic cycle and no alternative newer sources of revenue growth due to structural tailwinds remain very difficult to own.

We continue to believe central banks' vigilance towards inflation will result in a period of sustained higher cash rates around the world, albeit we are likely close to the end on rate rises. Depending on how much economic growth outlooks deteriorate in the face of this, we anticipate 10-year bond yields also staying at similar levels to current levels, with downside risk to those yields rising the more growth deteriorates. We are relatively more cautious on greater recession risks in the UK, Europe, Australia, New Zealand and Canada than the US given the differing structure of debt and slower path to reduce inflation.

There is an alternative scenario that could see growth reaccelerating sooner than expected and a recession avoided. This relies on two potentially large influences. The first is the fiscal stimulus of government policies; notably, the US Inflation Reduction Act and Europe's Green Deal Industrial Plan and the shifting capital spend intentions of corporates in the pursuit of net-zero targets. These will fuel spending as we fight to resolve the unfolding climate crisis. We can see ongoing strong capex intentions in companies leaning into energy solutions and this will support manufacturing and some commodities and segments of the labour market. What is hard to unravel is the net impact as the offsetting negatives of reduced investment against fossil fuels and associated industries also influence overall patterns of economic growth. There are also productivity enhancements and a refocus of corporate capex on Artificial Intelligence (AI) to ensure competitive positions are protected or enhanced.

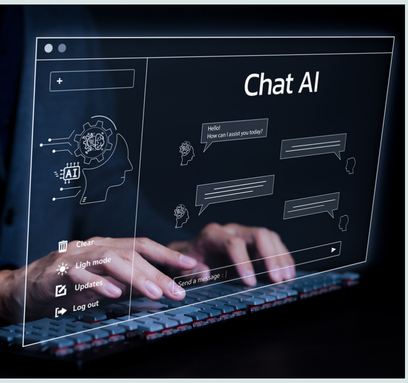
Importantly, monetary policy settings are largely demand-focused; the solution to a supply-side shock is simply the restoration of supply and, after the extended period of disruption we endured, this takes time. This in our view is why our impatience with 'transitory' was simply that. Impatience. The transit is long and slow, but it is happening.

We believe this backdrop should be one in which the MFG Global Equity Strategy plays to its strengths – quality and resilience with growth tailwinds.

On the topic of growth, one of the newer growth vectors being priced into the public domain is Generative AI. We have spoken a great deal on AI over the years and the potential it would bring in the coming years. (You can re-read the June 2016 investor letter, which was provocative yet prescient at the time.) That future is now here. There have been comparisons of the upsurge in AI use as being like the late 1990s when the internet first became publicly available. Those comparisons are also extending to markets, with some seeing the potential for a 1999-style rally, which may imply that some parts of the market may move to bubble-like valuations over the next year or two. There is a period of heightened innovation ahead and while markets can, in the short term, overplay the excitement of new opportunities, we believe we are entering a period of extraordinary progress that will have lasting impacts on the world we live in, and we must be open-minded and curious as it plays out.

We are focused on understanding how this shift in the use of AI will create new addressable markets and earning streams, and thus accelerate growth. At the same time, we are thoughtful as to the factors that will disrupt some industries and companies as the changes bring down barriers to entry, switching costs, cost advantages and other moat factors. Much is being written and discussed on the need to thoughtfully put guard rails around AI, and how government regulations must evolve. We are confident some of our portfolio holdings are well positioned as enablers of the new AI era, with clear commercial applications. Some industries may be affected in both positive and negative ways; the advertising industry is one for which our analysis shows change and disruption ahead.

With the advantages that the newer Generative AI-enabled platforms will offer in solving our problems more directly and iterating on the results of our queries, alongside the potential expansion of voice-based interaction over text-based queries, much will likely change in coming years. The speed of improvement is also astonishing, with developers talking of progress in just days on work that not too long ago would have taken months or years. It is very early days and conclusions remain highly dependent on the path companies choose as AI embeds itself more and more deeply into ways of doing business. But some initial thoughts – Microsoft (with OpenAI) was right out of the gate, proactively building commercial opportunities; this will be additive to the workloads of hyperscale cloud players.



Significant enterprise cost savings and productivity will emerge as newer AI-first solutions emerge; models will be both closed- and open-source; companies with important, large and unique datasets need to be thoughtful and conscious of privacy risks but have much value to realise; and data privacy and security, alongside regulatory efforts, will be hurdles to resolve to broaden adoption. We will likely see slow progress (but that isn't necessarily a bad thing).

As we consider the various scenarios for growth, inflation and interest rates, which are inextricably intertwined, it is hard to see how we can fully avoid a period of economic weakness, either in the next six months or over the next year. Given this, we are positioning the portfolio to capture growth where we have highest certainty on earnings and cash flow resilience while staying watchful on the potential financial risks that often result after a rapid and large rise in interest rates.

We feel comfortable with the portfolio's overall risk profile and construction and believe that it should deliver satisfactory returns over the coming cycle while protecting capital in the event of a shock that sees a major downturn in markets.

The portfolio has exposure to several major investment themes that are not exclusive of each other.

1. Digitisation across industries continues to drive market share shifts towards the enablers of this advance. This continues in the payments arena, within enterprises and across commerce and consumer applications.
2. The resilience of global economies will continue to be tested by our increasingly unpredictable climate. This is visible to all in the much more frequent and impactful natural disasters. For instance, Lowe's Companies is a beneficiary of the continual rebuild of urban environments, ASML is paramount to the progress needed to reduce our reliance on fossil fuels and Brookfield Corporation is a key plank in the capital reallocation shift needed to invest behind the energy transition
3. Acceleration of productivity and digitisation resulting from Generative AI is a story just entering the fray. While AI has long been a foundation for change for advertising, media and other data-heavy opportunities, Generative AI is likely to unleash significant evolution.

MARKET COMMENTARY

Global shares gained in the June quarter, with the MSCI World Index adding 6.8% in USD and 7.5% in AUD as the Federal Reserve approached the end of its rate-hiking campaign, US bank turmoil eased with few observable new casualties and optimism about the potential of recent developments in AI continued. Nine of the eleven sectors advanced in local currency terms, but gains were largely concentrated in the Information Technology (+15.0%), Consumer Discretionary (+11.3%) and Communication Services (+10.2%) sectors that benefited from growing confidence in the potential for AI to drastically influence societies and economies. The detractors were the Energy (-1.0%) and Utilities (-0.7%) sectors that fell as the outlook for commodity prices softened.

On a regional basis, Japanese shares, as measured by the Nikkei 225 index, added 18.4% on growing confidence in the outlook for profit growth and still accommodative monetary policy pursued by the Bank of Japan under new leadership. US shares were the other standout performer, with the S&P 500 rising 8.3% in the June quarter on the back of continued excitement about developments in AI and signals that the Federal Reserve was nearing the end of its rate-tightening cycle as inflation continued to improve. Importantly, economic momentum in the US appeared to be relatively sound, with unemployment still low, and construction activity assisted by increased homebuilder confidence and the Inflation Reduction Act.

Across the Atlantic, pressures on economic activity have been larger and inflationary pressures more intense, partly because wages in Europe are more often contractually tied to past increases in consumer prices than in the US and are hence stickier. The Euro Stoxx 600 added just 0.9% during the quarter. Australia's ASX 200 increased 1.0%.

Chinese shares meanwhile came under pressure, with the CSI 300 index falling 5.1% as fears about the Chinese economic recovery continued to mount. Expectations for a reopening boom have failed to materialise so far this year, forcing policymakers to step in with some incremental interventions to increase stimulus during the quarter. To date, interventions have been small scale rather than material as policymakers balance competing priorities including reducing leverage in the system.

Global shares rose in the past 12 months, with the MSCI World Index rising 18.5% in USD and 22.4% in AUD, despite an aggressive tightening of monetary policy from global central banks, turmoil in the banking sector, and elevated geopolitical tensions. The key drivers of the positive sentiment included rapid advances in Artificial Intelligence, still solid economic momentum in the US and signs that inflation, while still too high, was likely to steadily improve (reducing the need for such high interest rates). All but one of the eleven sectors rose in local currency terms, with Information Technology (36.7%) and

Industrials (27.0%) adding the most. The Real Estate sector fell –5.5% after continued pressure on office landlords from high vacancy rates and high interest rates, the former a symptom of post-pandemic work-from-home policies.

US shares rose, with the S&P 500 adding 17.6% in USD in a 12 month period that included the release of ChatGPT by OpenAI, turmoil in the US banking sector, the mid-term elections, a showdown over the Federal debt ceiling, and continued geopolitical tensions between the US and China, which included a suspected Chinese spy balloon being shot down by a US fighter jet off the East Coast of the US. The Federal Reserve increased interest rates by 350bp to 5.0-5.25% before pausing at its June meeting, with inflation much improved over the past year. The consumer price index rose 4.0% in the 12 months to May, down from 8.6% a year earlier. Long-term risk-free interest rates such as the 10-year US Treasury yield remained relatively well-contained, ending the period at 3.81%.

European shares also increased in the past year, with the Euro Stoxx 600 index rising 13.4% in Euro terms. The European economy was more resilient than expected to the winter energy shock caused by the Russian invasion of Ukraine as LNG imports and alternative sources of energy supplemented the shortfall and weather proved milder than historical averages. But, economic growth including in the German industrial base ended the period at stagnant levels. Interest rates rose sharply in Europe too, with both the European Union and the United Kingdom struggling with much-too-high inflation. A resolution of the war in Ukraine looks no closer, with limited progress made during the much-anticipated Ukrainian counteroffensive that began in May.

Japanese shares stood out in Asia, as the Nikkei 225 advanced 25.7% on the back of strong Japanese earnings growth and still accommodative monetary policy at the Bank of Japan. Chinese shares, as measured by the CSI 300 index, fell 14.3% after optimism that the reopening of the Chinese economy would kickstart growth faded. Towards the end of the period, Chinese policymakers began to ease policy further, but we have yet to see the type of large-scale stimulus unleashed post the global financial crisis that accelerated the growth of Chinese industry. Australian shares ended the period 14.8% higher.

PORTFOLIO COMMENTARY

The portfolio rose during the June quarter and over the year ended 30 June 2023.

For the quarter the largest contributors were the holdings in Amazon, Microsoft, Chipotle Mexican Grill, Alphabet and Apple, which all rose over 15% in the quarter. Microsoft, Amazon, Apple and Alphabet performed well as the market looked to capture the new innovation opportunity from Generative AI and Apple delivered exciting new product news at its conference. For Microsoft, Amazon and Alphabet, we note poor sentiment in the second half of 2022 on the back of weakening cloud spending patterns reversed in the first half of 2023 driven by Microsoft's generative AI opportunity. Chipotle is discussed below.

Over the past 12 months, strong contributions came from a well-diversified mix of exposures - HCA Healthcare, Chipotle Mexican Grill, ASML and SAP. HCA has benefited from improving labour costs as use of relief nurses has fallen to more normal levels and hospital utilisation for surgeries and delayed procedures have come back. Chipotle continues to see robust sales growth and improving cost levels and is executing superbly. The uptick in store expansion, towards a 10% run rate, is still expected later this year. ASML continues to benefit from strong demand for its lithography equipment and see persistent, structurally higher demand ahead. SAP divested Qualtrics, lifted buyback intentions and continues to grow strongly as its cloud offerings increasingly replace legacy licensed business.

The largest detractor in the year was US Bancorp (USB), which fell a further 9.8% over the final quarter as risks about earnings continue to be priced in and regulations are expected to also weigh on returns for the stock and sector. We exited US Bancorp, despite the accretive Union Bank acquisition, due to a more uncertain economic outlook and larger-than-expected downward pressure on net interest margins. Subsequent assessment of the outlook post stabilisation in the sector led us to conclude the risks to earnings remain very elevated and rising regulation while absorbing the Union Bank acquisition would weigh on USB's ability to distribute capital and so our decision to exit.

Diageo fell 6.5% in the final quarter on concerns of slowing revenue growth, off a high base, in its large US market where independent surveys of sell-in suggests a marked slowing. We see upside risks to these expectations with resilience and strong trends in Diageo's other geographies, especially in emerging markets.

Over the year detractors to overall returns were all modest (reflecting smaller positions sizes for these holdings) and came from US Bancorp, followed by Crown Castle (on rising interest rates with its large debt balances and a moderation in 5G spend by customers) and our utilities holdings. Crown Castle was sold in the fourth quarter of 2022.

Index movements and stock contributors/detractors are based in local currency terms unless stated otherwise.

PORTFOLIO POSITIONING

Top 10 holdings at 30 June 2023

Stock	Weight (%)
Microsoft Corporation	6.0
Amazon.com Inc	5.5
Lowe's Co Inc	4.3
Apple Inc	4.1
SAP SE	4.1
Visa Inc	4.1
ASML Holding NV	4.0
Intuit Inc	4.0
Intercontinental Exchange Inc	3.9
Yum! Brands Inc	3.9
Total	43.9

During the final quarter of 2023 we added a position in Netflix (NFLX US) to the portfolio and exited one of our small utilities holdings, Xcel Energy.

Netflix has seen a return to the MFG Global Equity Strategy as the strategic shift to capture the value of password sharing and add an ad-supported service is now in place. In early 2022 we had little conviction on the success of this shift, but it now seems to be moving quickly to a point of material reacceleration on earnings and margin capture. The FX headwind of its large USD cost base against many international sources of revenue is also behind us and the prospect of Netflix leveraging its ~$17B of content spend across a wider revenue capture should drive significant growth in earnings and cash flows, as well as material upgrades to expectations, over the coming years.

Over the past year we have been working to position the portfolio to capture the acceleration of growth in certain highly attractive industries while also being mindful of the risks of deteriorating economic growth from the lagged effects of material increases in short-term interest rates. Many of our defensive holdings have been strong beneficiaries of inflation as their pricing power has allowed them to push prices higher without losing volumes and thus accelerate revenue growth. Some have even done this without conceding much in margins and delivered strong earnings growth over the past year or two. We anticipate top-line growth will decelerate as inflation recedes and so the margin evolution as cost pressures also recede will be critically important to earnings growth momentum. Without rebounding margins, we expect current valuations will be pressured by deteriorating growth and so our defensive holdings are being carefully selected and trimmed overall. Companies that have entered the portfolio during the last year include Intuit, Apple, Brookfield, UnitedHealth and Trane Technologies. We exited Meta, Proctor & Gamble, Crown Castle, Lloyds and Amadeus.

OUTLOOK

The intertwined evolution of economic growth, inflation and interest rate setting has continued without directional change. That is, inflation is slowing, cash interest rate settings by central banks are rising and economic growth is looking increasingly at risk of recession. We believe inflation will continue to be the core focus of central banks and we will need to continue to see lower inflation data points over 2023 if central bank rate rises are to pause.

While we are closing in on a turning point for central banks' monetary tightening, the challenges are greater outside of the US where market and industry structures are making it harder to bring down inflation. Thus the challenge of higher and higher rates makes those economies (UK, Europe, Canada, Australia) at risk of a more painful economic slowdown/deeper recession. We continue to watch inflation expectations survey data, which shows worrisome levels of elevated and rising expectations amongst consumers in Australia (from 5% to 5.2% in June) and the UK, while in the US both business and consumer inflation expectations have remained anchored and are indeed falling. Germany has recently reported two quarters of negative real GDP growth and so is technically in recession. Recessionary conditions in the coming months continue to be our base case, though we believe in the US this is likely to be mild with potentially slightly positive nominal growth (barring a financial shock).

No material new adverse events in the financial sector have followed those of March and April 2023, but we continue to view the risk of similar events as heightened. If such an event occurred, creating a credit crisis or liquidity event, it would deepen the economic slowing. We are not holding any exposure to banks as we view the outlook for earnings for the sector as challenged. Many will recall that the events of 2007 and 2008 occurred with long lags between them, accompanied by strong markets. The first signs of stress were in August/September 2007, Bear Stearns collapsed in March 2008, Freddie and Fannie Mac were rescued by the US government and Lehmann Brothers went bankrupt in September 2008; markets bottomed in March 2009. We point out the risk of a similar event not to be alarmist or even to draw comparison to the GFC, but to remind ourselves that financial markets can unravel over months and in stages, and we would be complacent to assume all is resolved in the financial system today. Strong equity markets do not preclude a new financial shock ahead.

We continue to view the macro backdrop as biasing the risks to the long end of the yield curve, or 10-year government bond yields, to the downside. This is a positive for the valuations of longer-duration investments, especially those with strong cash flows, high returns on capital and low economic cycle exposure.

At the same time, the innovation in Artificial Intelligence is providing many new opportunities for companies, as well as disruption risks that always result from major progressive evolutions. The other areas of activity we remain very focused on are the innovation and investment to materially reduce economies' carbon intensity. Given there is a distinct focus within both technology and industrial sectors, the normal economic cyclicality of a sub-group of companies may be countered by this uptick in spending and new orders. We believe this creates some interesting investment opportunities as earnings may prove far more resilient for these companies than in typical economic slowdowns/recessions. An added layer of growth capex is also stemming from the restructuring of supply chains away from China, with the semiconductor industry the poster child of this investment.

Yours sincerely,

Arvid Streimann and Nikki Thomas

July 2023

MFG Global Equity (USD)

MFG ASSET MANAGEMENT

AS AT 30 JUNE 2023

PORTFOLIO MANAGERS NIKKI THOMAS, CFA AND ARVID STREIMANN, CFA

INVESTMENT PHILOSOPHY

To invest in outstanding companies at attractive prices, while exercising a deep understanding of the macroeconomic environment to manage investment risk.

OBJECTIVES

To achieve attractive risk-adjusted returns over the medium to long term; while reducing the risk of permanent capital loss.

Aims to deliver pre-fee return of 10% p.a over the economic cycle.

PORTFOLIO CONSTRUCTION

High conviction (20-40 securities), high quality focus.

Portfolio construction with dynamic allocation to cash (typical exposure between 0% - 20%).

Combined Risk Ratio cap of 0.8^

MAGELLAN GLOBAL EQUITY (USD)

STRATEGY SIZE	TOTAL GLOBAL EQUITY ASSETS[1]	INCEPTION DATE
USD $10,723.3 million	USD $12,345.1 million	1 July 2007

USD PERFORMANCE[2]

	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.)	OUTPERFORMANCE CONSISTENCY*
Composite (Gross)	7.5	18.6	5.9	8.3	9.8	10.8	85%
Composite (Net)	7.3	17.6	5.1	7.5	8.9	9.9	83%
MSCI World NTR Index (USD)[+]	6.8	18.5	12.2	9.1	9.5	6.0	-
Excess (Gross)	0.7	0.1	-6.3	-0.8	0.3	4.8	-
MSCI Min. Vol. NTR Index[+]	1.6	6.7	5.8	5.8	7.7	5.9	-

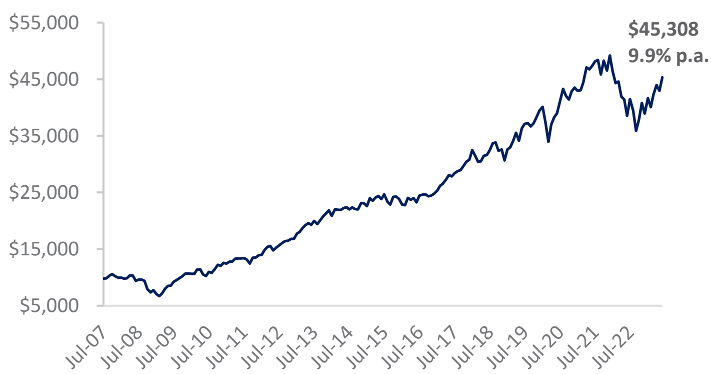
CALENDAR YEAR RETURNS	CYTD (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)
Composite (Gross)	16.8	-20.2	13.9	11.2	29.7	0.4	25.2	4.7	4.2	6.6	30.8	21.6	11.9	18.3	39.4
Composite (Net)	16.4	-20.8	13.0	10.3	28.7	-0.4	24.2	3.9	3.4	5.7	29.8	20.7	11.0	17.4	38.3
MSCI World NTR Index (USD)[+]	15.1	-18.1	21.8	15.9	27.7	-8.7	22.4	7.5	-0.9	4.9	26.7	15.8	-5.5	11.8	30.0
Excess (Gross)	1.7	-2.1	-7.9	-4.7	2.0	9.1	2.8	-2.8	5.1	1.7	4.1	5.8	17.4	6.5	9.4
MSCI Min. Vol. NTR Index[+]	3.7	-9.8	14.3	2.6	23.2	-2.0	17.3	7.5	5.2	11.4	18.6	8.1	7.3	12.0	16.4

Past performance does not predict future returns.

STRATEGY FUNDAMENTALS[3]

Number of Holdings	30
Return on Equity (%)	37
P/E Ratio (1 year forward)	26.4
Interest Cover	19
Debt/Equity Ratio	86
Weighted Average Market Cap (USD million)	583,383
Carbon Intensity (CO_2t/US$1m revenue)	57.2

PERFORMANCE CHART GROWTH OF USD $10,000 (NET)[2]



Past performance does not predict future returns.

[1] Comprised of all Global Equity strategies.

[2] 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. Strategy inception is 1 July 2007. 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.

[3] 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. Refer to the Important Notice below for further information.

^ Combined risk ratio is a measure of relative beta and relative drawdown to MSCI World NTR USD Index. Please contact MFG Asset Management should you wish for further details on the calculation.

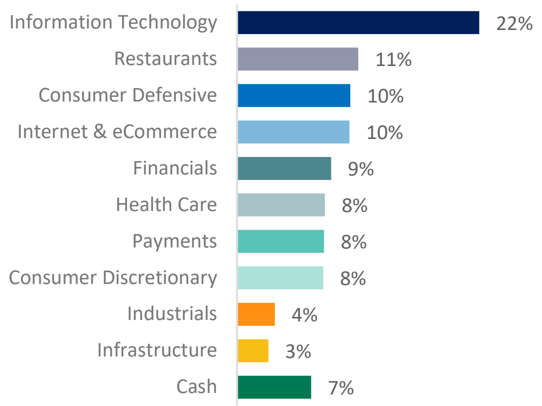
* Outperformance consistency indicates the percentage of positive excess returns for rolling 3 year returns since inception.

[+] All MSCI data used is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI and its affiliates assume no liability for or in connection with the data. Please see complete disclaimer in www.magellangroup.com.au/funds/benchmark-information/

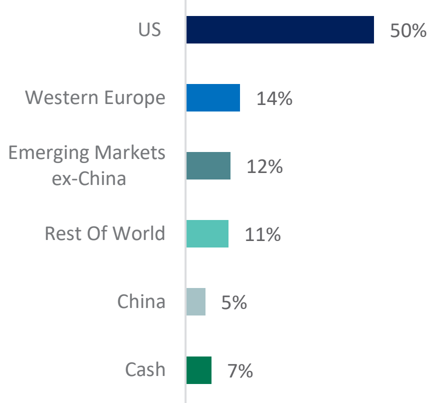
TOP 10 HOLDINGS[3]

STOCK	SECTOR[4]	%
Microsoft Corporation	Information Technology	6.0
Amazon.com Inc	Internet & eCommerce	5.5
Lowe's Co Inc	Consumer Discretionary	4.3
Apple Inc	Information Technology	4.1
SAP SE	Information Technology	4.1
Visa Inc	Payments	4.1
ASML Holding NV	Information Technology	4.0
Intuit Inc	Information Technology	4.0
Intercontinental Exchange Inc	Financials	3.9
Yum! Brands Inc	Restaurants	3.9
	TOTAL	43.9

SECTOR EXPOSURE BY SOURCE OF REVENUE[3]



GEOGRAPHICAL EXPOSURE BY SOURCE OF REVENUE[3]



CAPITAL PRESERVATION MEASURES[4]

ADVERSE MARKETS	3 Years	5 Years	10 Years	Since Inception
No of observations	14	21	40	74
Outperformance consistency	36%	57%	60%	73%
Average return - Strategy (%)	-4.4	-4.2	-3.2	-2.7
Average return - Index⁺ (%)	-4.3	-5.0	-3.8	-4.0
Down Market Capture	1.0	0.9	0.9	0.7
DRAWDOWN				
Maximum Drawdown - Strategy (%)	-26.6	-26.6	-26.6	-36.0
Maximum Drawdown - Index⁺ (%)	-25.4	-25.4	-25.4	-54.0

SUPPLEMENTARY STATISTICAL MEASURES[5]

	3 Years	5 Years	10 Years	Since Inception
Turnover	24.3%	20.6%	15.5%	12.6%
Beta	0.8	0.8	0.8	0.8
Tracking Error (% p.a.)	7.0%	7.0%	5.7%	6.9%
Standard Deviation - Strategy	16.2%	15.7%	12.9%	14.0%
Information Ratio	-0.9	-0.1	0.0	0.7

[4] Capital preservation measures are calculated before fees. An adverse market is defined as a negative monthly return for the MSCI World NTR Index (USD). Down market capture shows how the fund performed relative to the index while the market is falling.

[5] Supplementary Statistical Measures Beta, Tracking Error and Information Ratio are calculated before fees in USD against the MSCI World NTR Index.

MFG ASSET MANAGEMENT

IMPORTANT INFORMATION

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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.

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 brands 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 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.

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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.

MFG ASSET MANAGEMENT

STOCK STORY: AMAZON

The secret sauce of an ever-evolving innovation machine

amazon

Amazon's almost 30-year journey has been one of constant evolution, driven by innovation, and guided by the long-term vision of its founder, Jeff Bezos. The business developed in its early years with an initial focus on selling books before eventually expanding into other product categories, including music, electronics and beyond. Over time it has shifted from a goods retailer to services platform as it gave external parties access to its marketplace (3P sellers account for ~55% of all unit sales) and other operational capabilities (such as Fulfilled by Amazon or Buy With Prime). The company has a long track record of creating disruptive products – as it did with the Kindle and Alexa – and entirely new markets – as it has done with AWS and cloud computing. So, what's the secret sauce? At the heart of this ever-evolving innovation machine lie three key elements: a distinct and well-defined corporate culture, a decentralised and nimble operational structure, and a willingness to invest and remain focused on the long term.

Amazon has a distinct corporate culture enshrined in 16 leadership principles, which provide a framework for decision-making, problem-solving and collaboration across the organisation. These principles are deeply ingrained in the company's DNA and influence how employees approach their work. While all are important, we would highlight just two that are particularly pertinent to innovation. Principle #3, "Invent and Simplify", encourages employees to continuously seek inventive solutions and challenge the status quo. It instils a mindset of constant improvement and the pursuit of ground-breaking ideas that can reshape industries. Principle #8, "Think Big", empowers employees to envision ambitious, audacious goals and imagine possibilities beyond what may seem achievable. It also expresses Amazon's appetite for taking bold risks and making substantial investments in emerging technologies and ventures.

Amazon's corporate workforce largely consists of small, autonomous "two-pizza" teams (named because they should be small enough to be fed with as much) that utilise a common set of standardised, shared functions or "services". Teams comprise a mixture of multi-disciplinary roles and are empowered to make decisions quickly, iterate on ideas, and drive innovation in their respective areas. By keeping teams small, Amazon minimises bureaucracy and encourages a sense of ownership and agility. The structure fosters a culture of experimentation and learning from failures, as teams can quickly iterate and adapt their strategies based on real-time feedback. Importantly, it also enables rapid scaling into new areas of focus or opportunity without introducing unnecessary complexity and dependencies.

Amazon has consistently demonstrated its willingness to forgo immediate profitability in favour of maximising future opportunities. In 2011, in response to a shareholder question regarding Amazon's willingness to take bold bets, Bezos commented, "We are willing to invent. We are willing to think long term. We start with the customer and work backwards. And, very importantly, we are willing to be misunderstood for long periods of time". This quote reflects Amazon's commitment to pursuing its long-term vision, and its sentiment is often conveyed by other leaders within the company, including the current CEO, Andy Jassy. The company famously took >8 years to realise its first annual profit, prioritizing the development of its platform and improvement of the customer experience. Facing capacity constraints in 2014, Amazon decided to embark on the build-out of its own logistics network. While this weighed on profitability in the short term, it established a strong competitive advantage, and by 2021 Amazon was shipping more parcels across the USA than FedEx. Similarly, Amazon's cloud computing business, AWS, was initially met with scepticism, but the company persisted in investing heavily in its development and expansion, and today the division generates over $80bn revenue per annum. Looking forward, we expect the company will continue to invest in big bets across healthcare, advertising, media and logistics in pursuit of its next growth pillar.

In summary, Amazon's success lies in its constant evolution and drive to innovate. Its distinct corporate culture promotes entrepreneurship and challenges the status quo. A decentralised operational structure empowers agile teams and enables rapid scaling without adding complexity, and Amazon's capacity to invest for the long term, exemplified by the buildout of its fulfilment and logistics infrastructure and AWS, is a key competitive advantage versus more myopic competitors. With a commitment to thinking long term and willingness to be misunderstood, we expect Amazon will continue to thrive.

Jack McManus, Investment Analyst
June 2023

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