Strategy Update: 31 December 2019

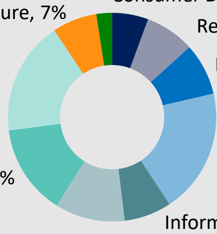
MFG US Sustainable (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets [1]
Alan Pullen	1 January 2017	USD $113.0 million	USD $50,390.9 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 1.0^
Deliver carbon intensity less than 1/3 of S&P500	Integrated ESG with proprietary, multi-dimensional carbon emissions management

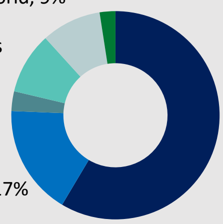
Top 10 Holdings[2]	Sector[2]	%
Microsoft Corp	Information Technology	7.4
Alphabet Inc	Internet & eCommerce	7.3
Facebook Inc-A	Internet & eCommerce	7.2
Visa Inc	Payments	7.0
HCA Healthcare Inc	Health Care	5.1
Amazon.com Inc	Internet & eCommerce	4.9
Starbucks Corp	Restaurants	4.7
Intercontinental Exchange Inc	Financials	4.5
Crown Castle International	Communications	4.1
MasterCard Inc	Payments	4.1
	TOTAL:	56.3

Sector Exposure[2]



Strategy Fundamentals[2]	Strategy	Index
Number of Holdings	26	504
Carbon Intensity	30.1	n/a
Return on Equity	24	21
P/E Ratio (1 year forward)	21.7	18.4
Interest Cover	9	11
Debt/Equity Ratio	82	60
Active Share	81	n/a
Weighted Average Market Cap (USD million)	326,536	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)	9.6	36.4	15.2	17.3	17.3
Composite (Net)	9.4	35.3	14.3	16.4	16.4
S&P 500 NTR Index	8.9	30.7	11.5	14.6	14.6
Excess (Gross)	0.7	5.7	3.7	2.7	2.7

Annual Performance[3]	2019	2018	2017*
Composite (Gross)	36.4	-2.6	21.7
Composite (Net)	35.3	-3.4	20.7
S&P500 Net TR Index	30.7	-4.9	21.1
Excess (Gross)	5.7	2.3	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. Exposures may not sum to 100% due to rounding. The Index is the S&P500 Net TR Index. Refer to the Important Notice below for further information.
3 Returns are for the US 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.

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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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The US Sustainable 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 Sustainable 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. Prior to May 29, 2018 the composite was named the US Low Carbon Composite.

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

US stocks reached record highs as they rose in the three months to December after the Federal Reserve cut its key rate for the third time in four months to help the US economy extend its growth record well into 2020, China and the US eased up on their trade war, and US companies on average reported better-than-expected earnings for the September quarter. The S&P 500 Index advanced 8.5%.

In October, the Fed reduced its key lending rate by a quarter point to between 1.5% and 1.75% and signalled no more imminent reductions. Financial research and data company FactSet said that for the third quarter 75% of S&P 500 companies reported earnings per share above estimates, a 'beat rate' that is above the five-year average of 72%.

In December, Chinese and US trade officials justified optimism when they came to a 'phase one' pact on trade that de-escalated a tariff war, notwithstanding that tensions between Beijing and Washington rose when US Congress in November passed almost unanimously a bill compelling Washington to support the protesters in Hong Kong.

Economic news released during the quarter was largely upbeat. Reports showed the US economy expanded at 2.1% in the third quarter, US factory production rebounded by 1.1% in November to post its biggest monthly increase in two years, and the jobless rate fell to a 50-year low of 3.5% in September and November.

In political news, almost all Democrat lawmakers in the House of Representatives voted to impeach President Donald Trump for abuse of power and obstructing Congress but failed to gain any Republican support during the two votes. Lawmakers in December passed spending measures that avoided a government shutdown as numbers released in October showed the US federal deficit widened to a seven-year high of US$984 billion in fiscal 2019, the fourth straight annual increase.

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

Strategy Commentary

The portfolio recorded a positive return in the quarter. The biggest contributors included the investments in Facebook, HCA Healthcare and Microsoft. Facebook gained after the social-media company reported higher-than-expected revenue and steady user growth for the third quarter. HCA Healthcare jumped on higher inpatient and outpatient surgeries for the third quarter that removed doubts about the US hospital chain's outlook raised by a disappointing second-quarter result. Microsoft's rally over the quarter was sparked by the announcement in October that the software company had won a Pentagon contract for cloud computing valued at as much as US$10 billion over a decade.

The biggest detractors included the investments in Yum! Brands and Home Depot. Yum! Brands fell as the owner of Pizza Hut, KFC and Taco Bell reported a slightly lower-than-expected rise in same-store sales of 3% for the third quarter and lower margins. Home Depot fell after the retailer trimmed its sales forecast for 2020 amid heightened competition from Lowe's shortly after releasing a weaker-than-expected earnings report for the third quarter.