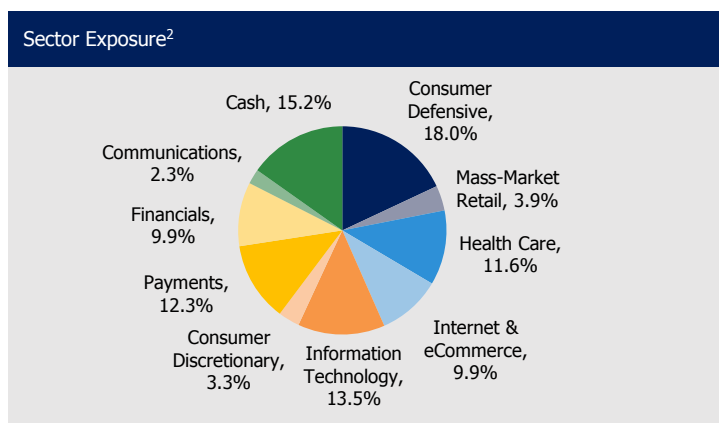


# MFG Global Low Carbon (USD)

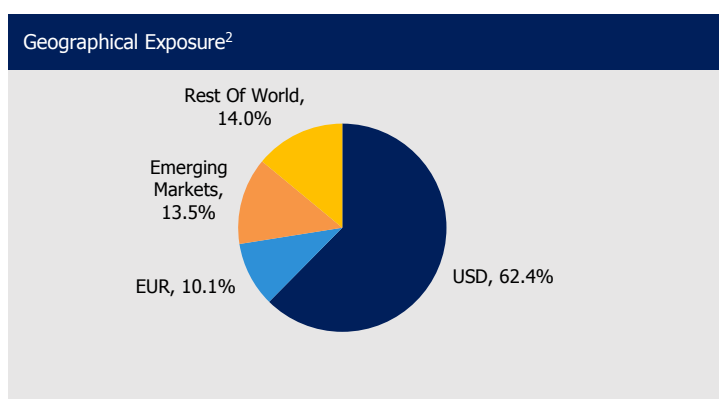
Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets <sup>1</sup>
Domenico Giuliano	1 October 2016	USD \$31.7 million	USD \$32,458.6 million

Objective	Approach
Capital preservation in adverse markets	High conviction (30-50 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 <sup>^</sup>
Deliver carbon intensity less than 1/3 of MSCI World	Integrated ESG with proprietary, multi-dimensional carbon emissions management

Top 10 Holdings <sup>2</sup>	Sector	%
Apple Inc	Information Technology	4.8
Alphabet Inc	Internet & eCommerce	4.2
Visa Inc	Payments	4.1
HCA Holdings Inc	Health Care	4.1
Facebook Inc-A	Internet & eCommerce	3.7
McDonald's Corp	Consumer Defensive	3.6
American Express Co	Payments	3.5
Lowe's Co Inc	Consumer Discretionary	3.3
Yum! Brands Inc	Consumer Defensive	3.3
Microsoft Corp	Information Technology	3.3
TOTAL:		37.9



Strategy Fundamentals <sup>4</sup>	Strategy	Index
Number of Holdings	34	1,656
Return on Equity	25	14
P/E Ratio (1 year forward)	17.3	16.5
Interest Cover	10	10
Debt/Equity Ratio	80	53
Active Share	87	n/a
Weighted Average Market Cap (USD million)	166,054	n/a



Cumulative Performance <sup>3</sup>	3 Months	Since Inception (p.a.)
<b>Composite (Gross)</b>	<b>3.9</b>	<b>11.2</b>
Composite (Net)	3.7	10.5
MSCI World NTR Index	4.0	12.7
Excess (Gross)	-0.1	-1.5
MSCI World Low Carbon Leaders	4.1	13.0

Annual Performance <sup>3</sup>	CYTD	2016*
<b>Composite (Gross)</b>	<b>10.9</b>	<b>0.3</b>
Composite (Net)	10.4	0.1
MSCI World NTR Index	10.7	1.9
Excess (Gross)	0.2	-1.6
MSCI World Low Carbon Leaders	10.8	2.0

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 MSCI World NTR Index. Refer to the end of the document for further information.

3 Returns are for the Global 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.

4 The Fundamentals are based on a representative portfolio for the strategy. Refer to the end of the document for further information. The Index is the MSCI World NTR Index.

^ 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 this calculation.

\* Returns are only for part year.

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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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For the purpose of complying with GIPS, the Firm is defined as all discretionary portfolios managed by MFG Asset Management.

The Global Low Carbon composite is a concentrated global equity strategy investing in high quality companies (typically 30-50 stocks) 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 Global 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 October 2016.

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 [data@magellangroup.com.au](mailto:data@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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Global stocks set record highs in the June quarter after US companies posted better-than-expected earnings for the first quarter, readings showed the US economy was expanding sufficiently for the Federal Reserve to reconfirm that monetary policy would only be tightened gradually. Gains were capped when higher bond yields undermined European stocks and the Conservative Party's unexpected loss of its parliamentary majority in the UK election shook up the UK stock market.

In the US, the Fed raised the cash rate by a quarter point to between 1% and 1.25% and outlined a plan that was seen as credible to reduce its balance sheet. Economic reports released over the quarter were judged as passable. They showed the US economy expanded at an annual pace of 1.4% in the first quarter and that 362,000 jobs were added from March to May, while the jobless rate fell to a post-crisis low of 4.3% in May. The S&P 500 Index rose 2.6%.

In Europe, the Conservatives were only able to form a minority government in the UK and talk is mounting of another general election before too long. Bond yields rose after the European Central Bank said the reflating economy might allow it to reduce its asset purchases in early 2018. The German 10-year government bond yield, for example, rose from 0.20% to 0.46% over the three months, while a report showed the eurozone economy expanded 0.6% in the first quarter, and 1.9% from a year earlier, thanks to a rise in investment. Stock losses were limited as investors were reassured when the pro-EU Emmanuel Macron defeated the anti-euro populist Marine Le Pen in the French presidential election that was held over two rounds in April and May. The Stoxx Europe 600 Index slid 0.5%.

At an industry level within the benchmark, healthcare, industrials and financials performed the best while energy and telecoms declined.

*Movements in the S&P 500 and Stoxx Europe 600 indices and stocks are in local currency.*

## Strategy Commentary

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The portfolio recorded a positive return in the quarter. At an industry level, investments in technology companies contributed the most.

At a stock level, the best performers included investments in McDonald's and PayPal. PayPal gained after better-than-expected first-quarter earnings allowed the company to boost annual guidance and PayPal announced a US\$5 billion share-repurchase program. McDonald's jumped after first-quarter same-store sales growth beat expectations due to pleasing growth in the US where the company's more-focused execution is winning customers.

Stocks that detracted included investments in HCA and Sanofi. HCA fell after a decline in the percentage of patients covered by private insurance meant that the US hospital operator's first-quarter revenue missed estimates and on expectations that Congress was approaching a solution to repeal the Affordable Care Act (Obamacare), which would likely increase the number of uninsured patients HCA must treat. Sanofi of France fell amid uncertainty over US healthcare laws. Sanofi earns more than a third of its revenue in the US.