Strategy Update: 30 September 2019

MFG ASSET MANAGEMENT

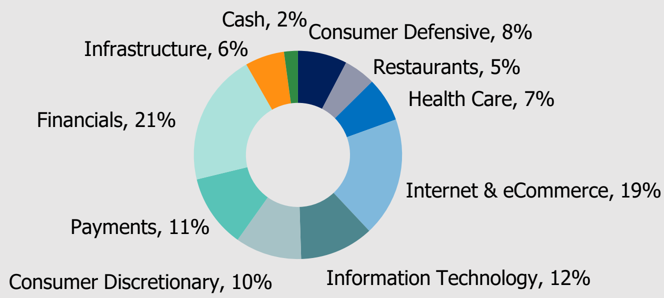
MFG US Sustainable (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets[1]
Alan Pullen	1 January 2017	USD $90.7 million	USD $45,576.9 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

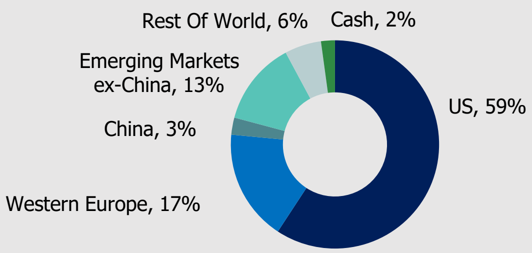
Top 10 Holdings[2]	Sector[2]	%
Alphabet Inc	Internet & eCommerce	7.3
Microsoft Corp	Information Technology	7.1
Facebook Inc-A	Internet & eCommerce	6.9
Visa Inc	Payments	6.5
Kraft Heinz Co	Consumer Defensive	4.5
Amazon.com Inc	Internet & eCommerce	4.4
Apple Inc	Information Technology	4.4
Intercontinental Exchange Inc	Financials	4.2
Booking Holdings Inc	Consumer Discretionary	4.0
Home Depot Inc	Consumer Discretionary	4.0
	TOTAL:	53.3

Sector Exposure[2]



Strategy Fundamentals[2]	Strategy	Index
Number of Holdings	27	504
Carbon Intensity	30.2	n/a
Return on Equity	20	21
P/E Ratio (1 year forward)	19.2	17.0
Interest Cover	9	11
Debt/Equity Ratio	58	60
Active Share	77	n/a
Weighted Average Market Cap (USD million)	336,523	n/a

Geographical Exposure[2]



Cumulative Performance[3]	3 Months (%)	1 Year (%)	2 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	2.8	10.2	13.5	15.2
Composite (Net)	2.6	9.3	12.6	14.3
S&P 500 NTR Index	1.5	3.6	10.2	12.5
Excess (Gross)	1.3	6.6	3.3	2.7

Annual Performance[3]	CYTD (%)	2018	2017*
Composite (Gross)	24.4	-2.6	21.7
Composite (Net)	23.6	-3.4	20.7
S&P 500 Net TR Index	20.0	-4.9	21.1
Excess (Gross)	4.4	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.

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.

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 portfolios 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 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 rose in the three months to September after the Federal Reserve delivered its first rate reductions in 11 years, the US economic expansion became the longest in history when it entered its 121st month in July, investors grew hopeful the China-US trade war would be contained and company earnings on average beat forecasts.

The Fed fulfilled expectations when it reduced its key lending rate by a quarter point in July and September to lower the range to 1.75% to 2%, though this wasn't enough for US President Donald Trump who said the "enemy" Fed led by Jerome Powell had "no guts".

Trade tensions with China eased when Trump postponed some tariff increases on consumer goods from China until December, though not before Trump declared China a currency manipulator and told US companies they "should leave China". House Speaker Nancy Pelosi initiated a formal impeachment inquiry against Trump for seeking to enlist Ukraine to smear leading Democrat presidential candidate Joe Biden.

In economic news, a report showed the US economy expanded only 2.0% in the second quarter. The Congressional Budget Office said the US federal budget deficit is projected to reach more than US$1 trillion in fiscal 2020, two years earlier than previously predicted. The S&P 500 Index rose 1.2%.

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

Strategy Commentary

The strategy recorded a positive return for the September quarter. The biggest contributors included the investments in Alphabet, Apple and Starbucks. Alphabet climbed after sales growth in the second quarter rebounded from a sluggish first quarter and the Google parent announced a US$25 billion share buyback. Apple gained after the company forecast robust sales growth from the new iPhone models. Starbucks surged after better-than-expected sales in the US and China helped the coffee chain record its fastest global sales growth in three years of 6% on a same-stores basis.

The biggest detractors were the investments in HCA Healthcare and Facebook. HCA Healthcare dropped after the US hospital chain's earnings report for the second quarter disappointed due to an unfavourable shift in the medical-surgical mix of operations and more political uncertainty was priced into health stocks as Democratic presidential candidates offered different proposals to improve the US health system. Facebook slid on the increased scrutiny from federal lawmakers and federal and state regulators.