Strategy Update: 30 June 2018

MFG ASSET MANAGEMENT

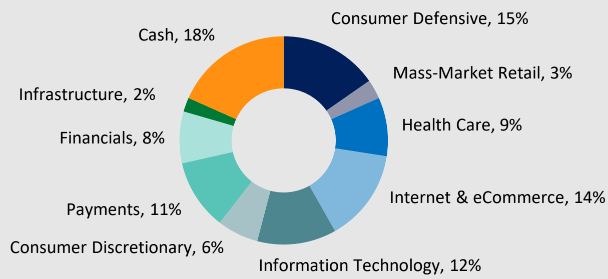
MFG Global Sustainable (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets [1]
Domenico Giuliano	1 October 2016	USD $58.8	USD $38,904.5 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 0.8^
Deliver carbon intensity less than 1/3 of MSCI World	Integrated ESG with proprietary, multi-dimensional carbon emissions management

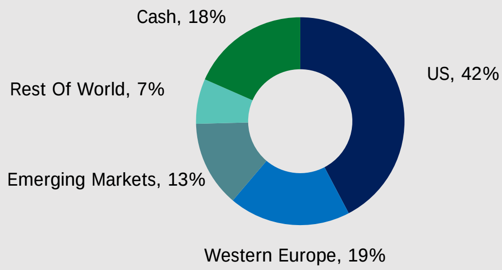
Top 10 Holdings[2]	Sector	%
Facebook Inc-A	Internet & eCommerce	6.4
Alphabet Inc	Internet & eCommerce	6.2
HCA Healthcare Inc	Health Care	4.2
Microsoft Corp	Information Technology	4.1
Visa Inc	Payments	3.9
Wells Fargo & Co	Financials	3.8
Oracle Corp	Information Technology	3.7
Lowe's Co Inc	Consumer Discretionary	3.6
American Express Co	Payments	3.6
Starbucks Corp	Consumer Defensive	3.6
	TOTAL:	43.1

Sector Exposure[2]



Strategy Fundamentals[2]	Strategy	Index
Number of Holdings	28	1,643
Carbon Intensity[#]	23.1	194.1
Return on Equity	25	16
P/E Ratio (1 year forward)	16.8	15.3
Interest Cover	11	11
Debt/Equity Ratio	64	50
Active Share	88	n/a
Weighted Average Market Cap (USD million)	212,475	n/a

Geographical Exposure[2]



Cumulative Performance[3]	3 Months (%)	1 Year (%)	Since Inception (% p.a.)
Composite (Gross)	**3.7**	**13.0**	**14.0**
Composite (Net)	3.5	12.1	13.1
MSCI World NTR Index	1.7	11.1	13.8
Excess (Gross)	2.0	1.9	0.2
MSCI World Low Carbon Target NTR Index	1.4	10.2	13.3

Annual Performance[3]	CYTD (%)	2017	2016*
Composite (Gross)	**3.2**	**21.4**	**0.3**
Composite (Net)	2.8	20.4	0.1
MSCI World NTR Index	0.4	22.4	1.9
Excess (Gross)	2.8	-1.0	-1.6
MSCI World Low Carbon Target NTR Index	0.1	22.3	1.5

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 Important Notice below for further information.
3 Returns are for the Global 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.
[#] MSCI World Index Carbon Intensity level as at 31 December 2017.

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.

The Global Sustainable composite is a concentrated global equity strategy investing in high quality companies (typically 20-50 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 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 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 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.

The USD is the currency used to calculate performance.

Market Commentary

Global stocks rose over the June quarter, to mark their eighth gain in the past nine quarters, after companies posted higher-than-expected earnings, especially the US internet giants, the US economy headed towards its 10th year of expansion, the Federal Reserve only tightened monetary policy as expected, Italy formed a workable coalition that said it wanted to stay with the euro, and Japan's central bank promised to keep up monetary stimulus. Gains were capped when US President Donald Trump imposed import restrictions that could lead to trade wars with the EU, China and its NAFTA partners, Canada and Mexico.

US stocks rose on buoyant company and economic news. Financial research and data company FactSet said that about 80% of companies announced earnings per share above mean estimates, the highest rate since FactSet began tracking this measure in 2008. In economic news, the Fed, as expected, in June raised the cash rate by 25 basis points to between 1.75% and 2%, the seventh rate increase since the onset of the global financial crisis. The central bank signalled four rate increases would be made over 2018, implying another two before the end of the year. A report showed a Fed gauge of inflation, the core personal consumption expenditure price index, rose 2% in the 12 months to May, the first time it has hit the Fed's price target since 2011. Reports pointed to the US economy expanding briskly in the June quarter, by when the economy would have completed nine years without recession. Among highlights, the jobless rate fell to an 18-year low of 3.8% in May, while retail sales grew 0.8% over the same month, their biggest gain in six months.

European stocks gained after a left-right populist coalition took control of Italy in May after elections in March (even if it is Eurosceptic), moderate Socialist Pedro Sanchez was installed as prime minister in Spain after Mariano Rajoy lost a vote of no confidence over a corruption scandal, and inflation reached the European Central Bank target of 2%, which helped justify the central bank's decision to end its asset buying by year end. Stocks fell steadily from mid-April highs as concerns about a trade war with the US mounted and Angela Merkel's coalition in Germany threatened to break apart over immigration policy.

Japanese stocks rose after the Bank of Japan said it would persist with monetary stimulus, reports on employment and manufacturing showed the economy might rebound from a contraction in the first quarter and the country was judged insulated from any trade wars. Chinese stocks plunged on concerns about the growing clash with the US on trade and on signs the economy is slowing. Emerging markets struggled as tighter US monetary policy boosted the US dollar and Argentina negotiated an IMF rescue.

Strategy Commentary

The strategy recorded a positive return for the quarter. Stocks that performed best included the investments in Facebook, Alphabet and Tesco. Facebook surged on a view that privacy issues surrounding user data wouldn't impede user and advertising growth, which showed gains in the first-quarter earnings report released in late May. Alphabet gained after its 26% increase in revenue for the first quarter beat estimates as Google's advertising revenue expanded at close to a similar pace. Tesco rose after it reported a 28% jump in full-year operating profits, which beat expectations and demonstrated strong progress towards the strategic and quantitative targets set out by CEO Dave Lewis three years prior.

Stocks that lagged included the investments in Starbucks, eBay and Yum! Brands. Starbucks declined after disappointing sales growth in the US prompted the coffee chain to reduce outlets in its home market, sales growth in China disappointed and Moody's Investors Services downgraded the company's debt rating by one notch to Baa1 due to an increase in borrowing. Retailer eBay slid after the operator of the online marketplace issued a disappointing forecast for the second quarter amid heightened competition from Amazon. Yum! Brands slid after the owner of KFC and Pizza Hut reported first-quarter comparable sales that missed estimates due to discounting across the fast-food industry.