Strategy Update: 30 June 2018

MFG ASSET MANAGEMENT

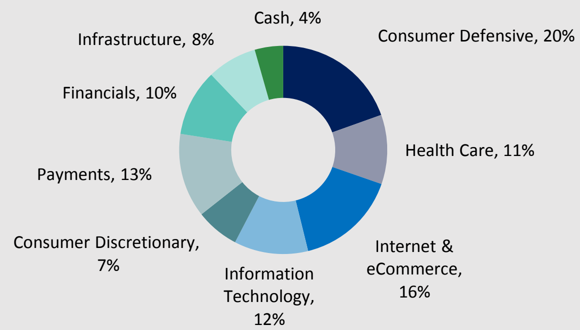
MFG US Sustainable (USD)

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

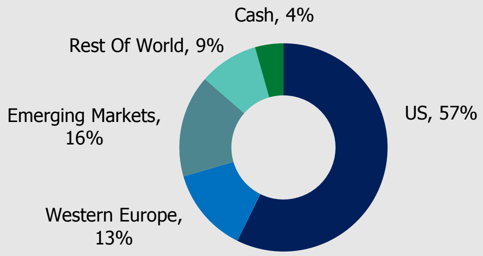
Top 10 Holdings[2]	Sector	%
Facebook Inc-A	Internet & eCommerce	7.0
Visa Inc	Payments	6.2
Alphabet Inc	Internet & eCommerce	6.1
Kraft Heinz Co	Consumer Defensive	5.8
Lowe's Co Inc	Consumer Discretionary	4.9
HCA Healthcare Inc	Health Care	4.9
Starbucks Corp	Consumer Defensive	4.8
Wells Fargo & Co	Financials	4.7
Pepsico Inc	Consumer Defensive	4.2
American Express Co	Payments	3.9
	TOTAL:	52.5

Sector Exposure[2]



Strategy Fundamentals[2]	Strategy	Index
Number of Holdings	26	505
Carbon Intensity	31.4	n/a
Return on Equity	25	20
P/E Ratio (1 year forward)	17.6	16.3
Interest Cover	10	12
Debt/Equity Ratio	69	53
Active Share	80	n/a
Weighted Average Market Cap (USD million)	221,586	n/a

Geographical Exposure[2]



Cumulative Performance[3]	3 Months (%)	1 Year (%)	Since Inception (% p.a.)
Composite (Gross)	**4.2**	**14.2**	**16.4**
Composite (Net)	3.9	13.3	15.4
S&P 500 NTR Index	3.3	13.7	15.5
Excess (Gross)	0.9	0.5	0.9

Annual Performance[3]	CYTD (%)	2017*
Composite (Gross)	**3.1**	**21.7**
Composite (Net)	2.7	20.7
S&P500 Net TR Index	2.4	21.1
Excess (Gross)	0.7	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. 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.

The US Low Carbon 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 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 January 2017.

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

US stocks rose over the June quarter, to mark their tenth gain in the past 11 quarters, after companies posted higher-than-expected earnings, especially the internet giants, the US economy headed towards its 10th year of expansion, and the Federal Reserve only tightened monetary policy as expected. Gains were capped when US President Donald Trump imposed import restrictions that could lead to trade wars with the EU and China.

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.

Strategy Commentary

The strategy recorded a positive return for the quarter. Stocks that performed best included the investments in Facebook, Visa and Alphabet. 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. Visa gained after higher consumer spending helped the payments company post higher-than-expected revenue growth of 11.5% and 30% earnings growth for the first quarter, which prompted it to boost guidance for fiscal 2018. Alphabet jumped after its 26% increase in revenue for the first quarter beat estimates as Google's advertising revenue expanded at close to a similar pace.

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 forecast for store growth 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.