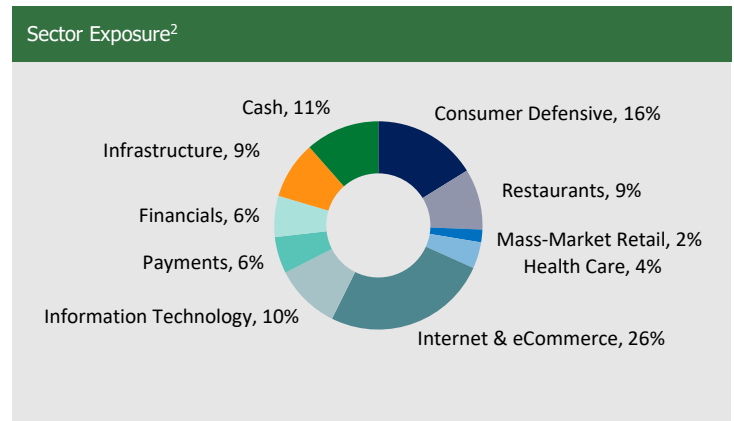


# MFG Global Sustainable (USD)

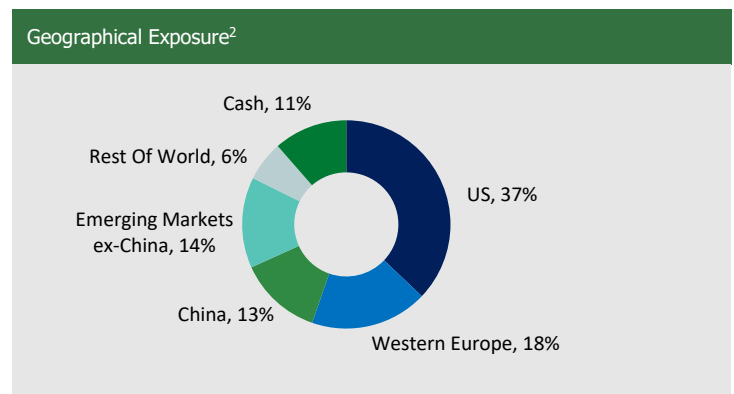
Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets <sup>1</sup>
Domenico Giuliano	1 October 2016	USD \$121.9 million	USD \$57,944.3 million

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 <sup>^</sup>
Deliver carbon intensity less than 1/3 of MSCI World	Integrated ESG with proprietary, multi-dimensional carbon emissions management. Certain stocks are excluded from the investment universe, including those with material exposures to gambling, alcohol, tobacco, adult entertainment and weapons, amongst other exposures as determined from time to time by MFG/Magellan

Top 10 Holdings <sup>2</sup>	Sector <sup>2</sup>	%
Alphabet Inc	Internet & eCommerce	7.5
Microsoft Corporation	Information Technology	6.9
Facebook Inc - Class A Shares	Internet & eCommerce	5.8
Tencent Holdings Ltd	Internet & eCommerce	5.2
Alibaba Group Holding Ltd	Internet & eCommerce	5.0
Novartis AG	Health Care	4.1
Reckitt Benckiser Group	Consumer Defensive	4.1
Unilever PLC	Consumer Defensive	3.9
Starbucks Corporation	Restaurants	3.6
Chipotle Mexican Grill Inc	Restaurants	3.4
<b>TOTAL:</b>		<b>49.5</b>



Strategy Fundamentals <sup>2</sup>	Strategy
Number of Holdings	26
Carbon Intensity (CO <sub>2</sub> t/US\$1m revenues)	31
Return on Equity	23
P/E Ratio (1 year forward)	24.0
Interest Cover (EBIT/interest expense)	20
Active Share	89
Weighted Average Market Cap (USD million)	467,612



Cumulative Performance <sup>3</sup>	3 Months (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	4.0	10.1	18.3	11.5	13.1
Composite (Net)	3.8	9.2	17.4	10.6	12.2
MSCI World NTR Index	14.0	15.9	21.6	10.5	13.1
Excess (Gross)	-10.0	-5.8	-3.3	1.0	0.0
MSCI World Low Carbon NTR Index	14.1	16.5	22.4	10.9	13.2

Annual Performance <sup>3</sup>	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%) <sup>*</sup>
Composite (Gross)	10.1	27.2	-1.0	21.4	0.3
Composite (Net)	9.2	26.2	-1.8	20.4	0.1
MSCI World NTR Index	15.9	27.7	-8.7	22.4	1.9
Excess (Gross)	-5.8	-0.5	7.7	-1.0	-1.6
MSCI World Low Carbon NTR Index	16.5	28.5	-8.9	22.2	1.4

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 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.

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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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The Global Sustainable composite is a concentrated global equity strategy investing in high quality companies (typically 20-50 stocks) with an integrated ESG risk assessment process, including a low carbon overlay and specific ESG exclusions on societal grounds related to either material manufacturing or retail exposures to Tobacco, Alcohol, Gambling, Controversial Weapons, Civilian Firearms, Adult Entertainment and other activities that Magellan may specify from time to time. 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 specific ESG exclusions and a meaningfully lower carbon intensity than broader equity markets. The composite name was changed from Global ESG to Global Sustainable on 1 November 2020 following the restructure of our Global Sustainable product offerings into two distinct strategies, one with additional ESG exclusions and one without. The Global Sustainable strategy does apply additional ESG exclusions.

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](mailto: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 representative portfolio for the Global Sustainable strategy changed on 1 November 2020 following the removal of the additional ESG exclusions from the previous representative portfolio.

USD is the currency used to calculate performance.

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## Market Commentary

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Global stocks soared to record highs in the December quarter after pharmaceutical companies developed a vaccine against the virus that causes the illness known as COVID-19, the Democratic party's subdued performance in the US senate appeared to rule out radical anti-business measures during the administration of president-elect Joe Biden, and US congress agreed to more fiscal stimulus. During the quarter, all 11 sectors rose. Energy (+27% in US dollars) climbed most while Consumer Staples rose least (+6.4%). The Morgan Stanley Capital International World Index soared 14% in US dollars over the quarter to give an increase of 16% for 2020.

US stocks rallied to record highs after a vaccine with 90%-plus effectiveness in achieving an immune response was announced and distributed, the election result lowered the risk of radical measures passing congress, the Federal Reserve said it would provide open-ended stimulus to help the economy, and lawmakers passed the second big fiscal package since the virus struck. These developments overcame concerns about a third wave of infections flaring up across the country and President Donald Trump's refusal to concede defeat while alleging voter fraud. The vaccine euphoria kicked off in November when Pfizer/BioNTech and Moderna announced successful phase three vaccine trials using a novel mRNA technology, while Oxford University and AstraZeneca came out with vaccines using traditional technology. In the election, the lack of a strong Democratic wave improved the outlook for profit growth because the lack of a strong showing in the senate reduced the mandate and political leeway for new laws that would reduce corporate profitability. Even though the US economy expanded at an annualised rate of 33.4% in the third quarter, more up-to-date reports showed the latest burst of infections, which took the number of Americans struck by the virus to more than 20 million, is hurting business. Retail sales, for example, fell in November, the largest decline since April, while jobless claims rebounded towards year end. The S&P 500 Index added 12% over the quarter, to be up – led by Big Tech – 16% for 2020.

European stocks soared as the arrival of a vaccine, a last-minute deal that completed the procedure of the UK's departure from the EU and an agreement over the EU's budget and stimulus package overshadowed a fresh wave of infections and restrictions across the continent. In economic news, a report showed the eurozone expanded 12.5% in the third quarter, after shrinking 11.7% in the previous three months. The Euro Stoxx 50 Index rallied 11%, meaning it fell only 5.1% over 2020.

Japan's Nikkei 225 Index gained 18%, to break the previous high set in 1991, after a report showed Japan's economy expanded 5.3% in the third quarter, its first expansion in four quarters. China's CSI 300 Index rose 14% as manufacturing's 9th consecutive monthly increase in November showed the economy was coping through the pandemic. Australia's S&P/ASX 200 Accumulation Index jumped 14% after the Reserve Bank of Australia cut the cash rate to a record low 0.1% and announced it would buy A\$100 billion of long-term bonds under a quantitative easing program. The MSCI Emerging Markets Index rallied 19% in US dollars as investors thrilled to the vaccine and a lower US dollar eased the burden of emerging countries with steep US-dollar-denominated debt.

## Strategy Commentary

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The strategy recorded a positive return for the quarter. The biggest contributors were the investments in Alphabet, Starbucks and Tencent Holdings. Alphabet rose after its Google subsidiary's advertising revenue showed a better-than-expected rebound from the coronavirus-triggered slump and the US election outcome reduced the risk of a crackdown on Big Tech that would ensnare Google, which is already under anti-trust scrutiny by the US Department of Justice. Starbucks gained after the coffee chain, when announcing a smaller-than-expected drop in same-store sales of 9% for the fourth quarter, signalled that the worst is past. Tencent climbed after its 28% increase in revenue for the first half from a year earlier beat expectations.

The biggest detractors were the investments in Alibaba Group, SAP and RB. Alibaba dropped after its about-33%-owned Ant Group suspended its IPO, Chinese authorities said they would investigate the company for "suspected monopolistic conduct", key founder Jack Ma disappeared after criticising financial authorities, and the company's results for the September quarter displayed mixed results across segments. SAP dropped after Europe's largest software company lowered medium-term revenue and profit forecasts and its third-quarter result fell short of expectations as cloud revenue growth slowed. RB dropped on expectations sales for its sanitary products would drop once the pandemic is brought under control.

*Index movements and stock contributors/detractors are based in local currency terms unless stated otherwise.*