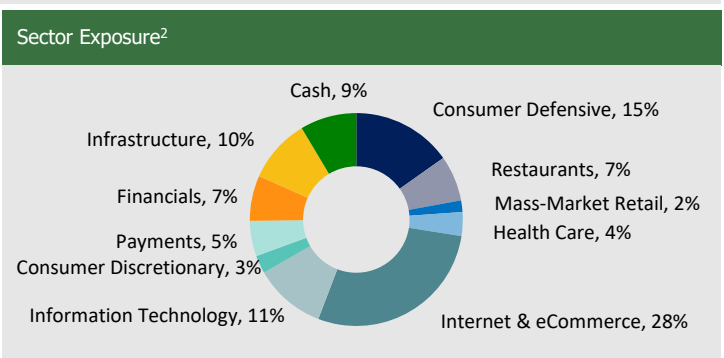


# MFG Global Sustainable (USD)

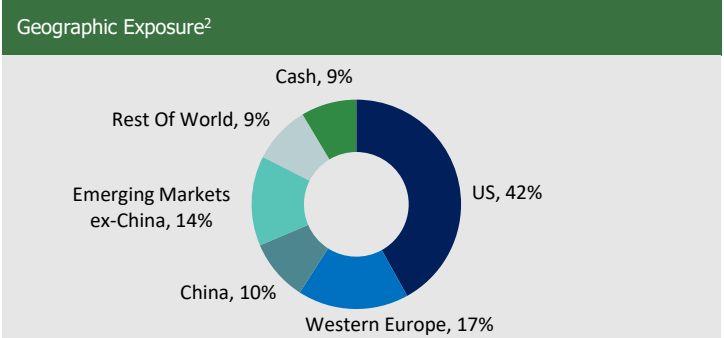
Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets <sup>1</sup>
Domenico Giuliano	1 October 2016	USD \$116.2 million	USD \$64,119.7 million

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 (typically between 0% - 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>	%
Microsoft Corporation	Information Technology	7.7
Alphabet Inc	Internet & eCommerce	7.6
Facebook Inc	Internet & eCommerce	6.7
Netflix Inc	Internet & eCommerce	4.1
Alibaba Group Holding Ltd	Internet & eCommerce	4.0
Reckitt Benckiser Group	Consumer Defensive	3.7
Novartis AG	Health Care	3.6
Chipotle Mexican Grill Inc	Restaurants	3.5
Unilever PLC	Consumer Defensive	3.4
Yum! Brands Inc	Restaurants	3.4
	<b>TOTAL:</b>	<b>47.7</b>



Strategy Fundamentals <sup>2</sup>	Strategy
Number of Holdings	28
Carbon Intensity (CO <sub>2</sub> t/US\$1m revenues)	24
Return on Equity	27
P/E Ratio (1 year forward)	24.8
Interest Cover (EBIT/interest expense)	17
Active Share	86
Weighted Average Market Cap (AUD million)	596,398



3 Year rolling returns <sup>3</sup> (measured monthly)	Last 12 Months	Since Inception (22 Months)
<b>Against the MSCI World NTR Index</b>		
Average excess return (% p.a.) (Gross)	1.5	2.3
Average excess return (% p.a.) (Net)	0.6	1.4
Outperformance consistency (Gross)	58%	77%
Outperformance consistency (Net)	58%	77%

Performance <sup>4</sup>	3 Months (%)	1 Year (%)	3 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	7.3	23.0	13.7	13.8
Composite (Net)	7.0	22.1	12.8	12.9
MSCI World NTR Index	7.7	39.0	15.0	14.5
Excess (Gross)	-0.4	-16.0	-1.3	-0.7
MSCI World Low Carbon NTR Index	7.8	39.2	15.4	14.6

Annual Performance <sup>4</sup> (%)	CYTD	2020	2019	2018	2017	2016*
Composite (Gross)	9.6	10.1	27.2	-1.0	21.4	0.3
Composite (Net)	9.1	9.2	26.2	-1.8	20.4	0.1
MSCI World NTR Index	13.0	15.9	27.7	-8.7	22.4	1.9
Excess (Gross)	-3.4	-5.8	-0.5	7.7	-1.0	-1.6
MSCI World Low Carbon NTR Index	12.9	16.5	28.5	-8.9	22.2	1.4

<sup>1</sup> Comprised of all Global Strategies.

<sup>2</sup> 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. Refer to the Important Notice below for further information.

<sup>3</sup> Rolling 3-year returns are calculated and rolled monthly for the duration of each period shown. The average excess return is then calculated for each period, with the outperformance consistency indicating the percentage of positive excess returns.

<sup>4</sup> 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.

<sup>^</sup> 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. 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. Information regarding the representative portfolio and the other accounts in the composite is available upon request.

USD is the currency used to calculate performance.

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## Market Commentary

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Global stocks soared to record highs as they rose for the ninth quarter in 10 during the three months to June after investors backed that vaccines and more government spending would drive economies, dismissed an acceleration in inflation as transitory, and thus believed statements from central banks they would keep monetary policy loose. During the quarter, 10 of the 11 sectors rose in US-dollar terms. Information technology (+12%) climbed the most on healthy earnings while utilities (-0.7%) declined on concerns that longer-term bond yields might rise. The Morgan Stanley Capital International World Index surged 7.7% in US dollars and 9.3% in Australian currency.

US stocks gained as companies, especially tech ones and the banks, reported healthy earnings for the first quarter, the administration of President Joe Biden announced plans for another US\$4 trillion in spending (that Congress is still to approve), consumers spent as they grew in confidence, and, by the White House count, 67% of adults have received one vaccine dose. Reports, however, on inflation provoked spasmodic caution. Consumer inflation rose 5.0% in the 12 months to May, the fastest pace since 2008, while producer prices surged 6.6% in the year to May. These reports fanned talk the US Federal Reserve might rethink its loose monetary policy. A Fed survey of its policymakers show they had brought forward their expectations of when they would sanction a higher US cash rate. They (as represented by their median forecast) now expect to approve two increases in the cash rate from close to 0% by the end of 2023. The S&P 500 rallied 8.2%.

European stocks rose as countries relaxed pandemic restrictions as vaccine programs rolled out and the European Central Bank said it would keep aggressive monetary stimulus in place, though gains were limited by news that an ever-more debt-heavy eurozone economy is contracting. A report showed the eurozone economy shrank 0.3% in the March quarter, which followed a contraction of 0.6% in the December quarter. Another report showed government debt stood at 98% of eurozone GDP at the end of December. The Euro Stoxx 50 Index rose 3.7%.

Japan's Nikkei 225 Index defied the global trend and fell 1.3% after a resurgence in covid-19 infections extended restrictions and a report said the economy shrank 1.0% in the first quarter. China's CSI 300 Index rose 3.5% as a release showed the economy expanded a record 18.3% in the March quarter from a year earlier. Australia's S&P/ASX 200 Accumulation Index gained 8.3% after the major banks reported upbeat results, energy and material prices climbed (iron ore prices reached record highs), the federal government's budget for 2021-22 came with more stimulus, and a report showed the economy expanded 1.8% in the March quarter, to be larger than before the pandemic. The MSCI Emerging Markets Index increased 4.4% in US dollars on signs the world economy is recovering even as covid-19 ravaged emerging countries, especially India.

## Strategy Commentary

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The strategy recorded a positive return for the quarter. The biggest contributors were the investments in Alphabet, Facebook and Microsoft. Alphabet rallied after the parent of Google reported that rising spending on digital ads boosted first-quarter sales to US\$55.3 billion, a higher-than-expected rise of 34% from a year earlier. Facebook surged after first-quarter sales smashed expectations to rise 48% to US\$26.2 billion as advertisers sought access to the social media platform's 2.9 billion users and a US judge unexpectedly dismissed two complaints against the social-media giant from the US regulator because the judge said the Federal Trade Commission failed to prove the company was a monopoly. Microsoft rose as rising demand for PCs, gaming consoles, and digital services delivered over the cloud boosted the software giant's first-quarter sales by a higher-than-expected 19% to US\$41.7 billion. As well, in April, Microsoft agreed to buy speech-recognition firm Nuance Communications for US\$19.7 billion, to expand the services it can offer business customers.

The biggest detractors were the investments in Lowe's Co, Sydney Airport and US Bancorp. Lowe's declined after investors decided the more than doubling of its stock price in the 12 months to March had gone too far. Sydney Airport fell as the city entered its only second city-wide lockdown since the pandemic struck in early 2020. US Bancorp slid because banks lost their appeal as an inflation hedge when investors dismissed faster inflation as a fleeting problem.

In relative terms, the portfolio underperformed the benchmark over the quarter. This reflected a modest outperformance of cyclical stocks over defensive stocks, on average, within the index. Uncertainty around the Chinese regulatory outlook weighed on Chinese technology platforms, while the portfolio's utility holdings were hampered by a company-specific regulatory decree and the threat of higher interest rates in the medium term.

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