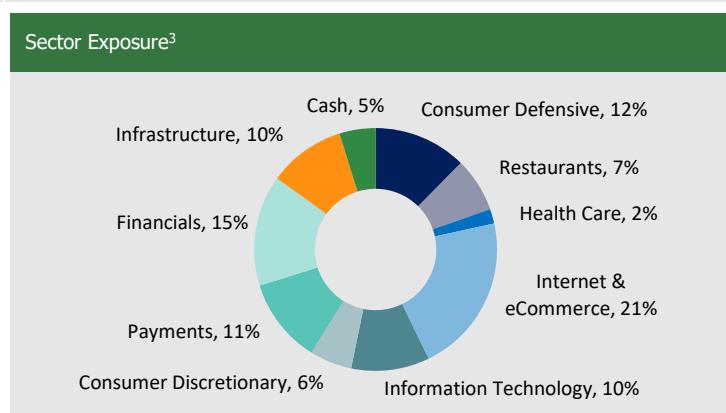


# MFG US Sustainable (USD)

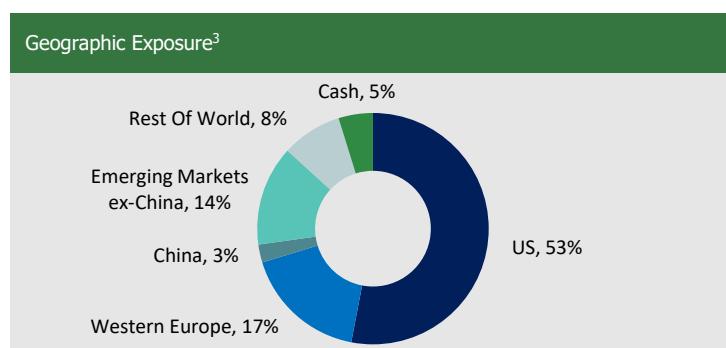
Portfolio Manager	Strategy Inception Date	Total Strategy Assets <sup>1</sup>	Total Sustainable Assets <sup>2</sup>
Alan Pullen	1 January 2017	USD \$2.6 million	USD \$378.7 million

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 (max 10%) 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 <sup>3</sup>	Sector <sup>3</sup>	%
Microsoft Corporation	Information Technology	7.5
Visa Inc	Payments	7.2
Alphabet Inc	Internet & eCommerce	7.0
Netflix Inc	Internet & eCommerce	5.7
Procter & Gamble	Consumer Defensive	5.1
Intercontinental Exchange Inc	Financials	5.0
Amazon.com Inc	Internet & eCommerce	4.4
PepsiCo Inc	Consumer Defensive	4.2
Meta Platforms Inc	Internet & eCommerce	4.2
MasterCard Inc	Payments	4.1
TOTAL:		54.4



Strategy Fundamentals <sup>3</sup>	Strategy
Number of Holdings	26
Carbon Intensity (CO <sub>2</sub> t/US\$1m revenues)	22
Return on Equity	63
P/E Ratio (1 year forward)	33
Interest Cover (EBIT/interest expense)	14
Weighted Average Market Cap (USD million)	616,036



3 Year rolling returns <sup>4</sup> (measured monthly)	Last 12 Months	Since Inception (25 Months)
<b>Against S&amp;P 500 NTR Index</b>		
Average excess return (% p.a.) (Gross)	4.7	4.3
Average excess return (% p.a.) (Net)	3.8	3.3
Outperformance consistency (Gross)	100%	100%
Outperformance consistency (Net)	100%	100%

Performance <sup>5</sup>	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	9.1	31.1	29.8	21.0	21.0
Composite (Net)	8.9	30.0	28.8	20.0	20.0
S&P 500 NTR Index	10.9	28.2	25.4	17.8	17.8
Excess (Gross)	-1.8	2.9	4.4	3.2	3.2

Annual Performance <sup>5</sup> (%)	2021	2020	2019	2018	2017
Composite (Gross)	31.1	22.4	36.4	-2.6	21.7
Composite (Net)	30.0	21.4	35.3	-3.4	20.7
S&P500 NTR Index	28.2	17.8	30.7	-4.9	21.1
Excess (Gross)	2.9	4.6	5.7	2.3	0.6

<sup>1</sup> US Sustainable Strategy is currently based on a proprietary portfolio.

<sup>2</sup> Comprised of all Sustainable Strategies.

<sup>3</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>4</sup> Rolling 3-year returns are calculated in USD and rolled monthly for the duration of each period shown. The average excess return is then calculated for each period, with outperformance consistency indicating the percentage of positive excess returns. Strategy inception is 1 January 2017.

<sup>5</sup> Returns are for the US Sustainable Composite and denoted in USD. Performance would vary if returns were denominated in a currency other than USD. Strategy inception is 1 January 2017. 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>6</sup> Combined risk ratio is a measure of relative beta and relative drawdown to S&P500 NTR Index (USD). Please contact MFGAM should you wish for further details on the calculation.

#### IMPORTANT NOTICE

This material is being furnished to you to provide summary information regarding Magellan Asset Management Limited trading as MFG Asset Management ('**MFG Asset Management**') and an investment fund or investment strategy managed by MFG Asset Management ('**Strategy**'). This material is not intended to constitute advertising or advice of any kind and you should not construe the contents of this material as legal, tax, investment or other advice. In making an investment decision, you must rely on your own examination of any offering documents relating to the Strategy.

The investment program of the Strategy presented herein is speculative and may involve a high degree of risk. The Strategy is not intended as a complete investment program and is suitable only for sophisticated investors who can bear the risk of loss. The Strategy may lack diversification, which can increase the risk of loss to investors. The Strategy's performance may be volatile. Past performance is not necessarily indicative of future results and no person guarantees the future performance of the Strategy, the amount or timing of any return from it, that asset allocations will be met, that it will be able to implement its investment strategy or that its investment objectives will be achieved. Statements contained in this material that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of MFG Asset Management. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. This material may contain forward-looking statements'. Actual events or results or the actual performance of an MFG Asset Management financial product or service may differ materially from those reflected or contemplated in such forward-looking statements. The Strategy will have limited liquidity, no secondary market for interests in the Strategy is expected to develop and there are restrictions on an investor's ability to withdraw and transfer interests in the Strategy. The management fees, incentive fees and allocation and other expenses of the Strategy will reduce trading profits, if any, or increase losses.

No representation or warranty is made with respect to the correctness, accuracy, reasonableness or completeness of any of the information contained in this material. This information is subject to change at any time and no person has any responsibility to update any of the information provided in this material. This material may include data, research and other information from third party sources. MFG Asset Management makes no guarantee that such information is accurate, complete or timely and does not provide any warranties regarding results obtained from its use. MFG Asset Management will not be responsible or liable for any losses, whether direct, indirect or consequential, including loss of profits, damages, costs, claims or expenses, relating to or arising from your use or reliance upon any part of the information contained in this material including trading losses, loss of opportunity or incidental or punitive damages.

No distribution of this material will be made in any jurisdiction where such distribution is not authorised or is unlawful. This material does not constitute, and may not be used for the purpose of, an offer or solicitation in any jurisdiction or in any circumstances in which such an offer or solicitation is unlawful or not authorized or in which the person making such offer or solicitation is not qualified to do so. This material and the information contained within it may not be reproduced, or disclosed, in whole or in part, without the prior written consent of MFG Asset Management. Further information regarding any benchmark referred to herein can be found at [www.mfgam.com.au](http://www.mfgam.com.au). Any trademarks, logos, and service marks contained herein may be the registered and unregistered trademarks of their respective owners.

United Kingdom - This material does not constitute an offer or inducement to engage in an investment activity under the provisions of the Financial Services and Markets Act 2000 (FSMA). This material does not form part of any offer or invitation to purchase, sell or subscribe for, or any solicitation of any such offer to purchase, sell or subscribe for, any shares, units or other type of investment product or service. This material or any part of it, or the fact of its distribution, is for background purposes only. This material has not been approved by a person authorised under the FSMA and its distribution in the United Kingdom and is only being made to persons in circumstances that will not constitute a financial promotion for the purposes of section 21 of the FSMA as a result of an exemption contained in the FSMA 2000 (Financial Promotion) Order 2005 as set out below. This material is exempt from the restrictions in the FSMA as it is to be strictly communicated only to 'investment professionals' as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (FPO).

United States of America - This material is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of MFG Asset Management to create legal relations on the basis of information provided herein. Where performance figures are shown net of fees charged to clients, the performance has been reduced by the amount of the highest fee charged to any client employing that particular 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 and also may be found in Part II of MFG Asset Management's Form ADV.

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 brands 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@maggelangroup.com.au](mailto:client.reporting@maggelangroup.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.

USSUSUSD44561

## Market Commentary

US stocks surged to record highs in the December quarter as concerns abated about the economic damage of the new Omicron covid-19 variant, US companies posted stellar earnings reports, and US Congress postponed a debt-ceiling showdown and passed more stimulus. The rise occurred even though the Federal Reserve decided to reduce its asset purchases after US inflation reached a 39-year high. The S&P 500 Index soared 10.6%, to be up 26.9% for 2021.

US stocks climbed as better jobless numbers and encouraging reports on earnings, especially from the banks and Big Tech. A report showed consumer prices climbed 6.8% in the 12 months to November, the most since 1982. In response, the Federal Reserve said it would accelerate its 'tapering' of monthly bond purchases. The central bank said it would prune its asset buying such that in January it would buy only US\$60 billion of Treasuries and mortgage-backed securities compared with US\$120 billion a month pre-tapering, while most Fed policymakers said they were prepared to raise the US cash rate three times in 2022. While reports showed an economy at full employment (the jobless rate fell to a pandemic low of 4.2% in November), the US economy expanded at a revised annualised rate of only 2.3% during the September quarter. In political news, the House of Representatives, over the unanimous opposition of Republicans, passed the US\$2.2 trillion Build Back Better Act only for the centrepiece of President Joe Biden's domestic agenda to be blocked in the Democrat-controlled Senate. The House, with some Republican support, approved a US\$1.2 trillion infrastructure package that had already passed the Senate. A proposal to raise the federal government's borrowing limit by US\$2.5 trillion passed both chambers of Congress just before the December 15 deadline.

*Index movements are based in local currency terms unless stated otherwise.*

## Strategy Commentary

The portfolio recorded a positive return in the quarter. The biggest contributors included the investments in Microsoft, Home Depot and Intercontinental Exchange. Microsoft surged on a 22% jump in revenue for the third quarter as its cloud business benefited from the global shift to remote work. Home Depot surged after a jump in home improvements helped the company report higher-than-expected earnings for the third quarter. Intercontinental Exchange rose as energy derivative volumes climbed on the back of rising energy price volatility.

The biggest detractors were the investments in Salesforce.com, Visa and US Bancorp. Salesforce.com tumbled after the world's leader in client-retention-management software said organic growth might slow to 20% in 2023 compared with 24% in fiscal 2022 as clients tighten spending. Visa fell amid a stoush with Amazon, which has refused to accept the company's UK-issued credit cards in what is a showdown over fees. US Bancorp edged down on concerns its recently announced acquisition of MUFG Union Bank may face heightened regulatory scrutiny.

*Stock contributors/detractors are based in local currency terms.*