Strategy Update: 30 June 2017

MFG ASSET MANAGEMENT

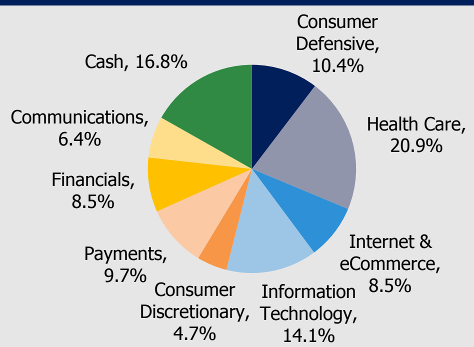
MFG US Low Carbon (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets[1]
Ted Alexander	1 January 2017	USD $31.7 million	USD $32,458.6 million

Objective	Approach
Capital preservation in adverse markets	High conviction (30-50 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 S&P 500	Integrated ESG with proprietary, multi-dimensional carbon emissions management

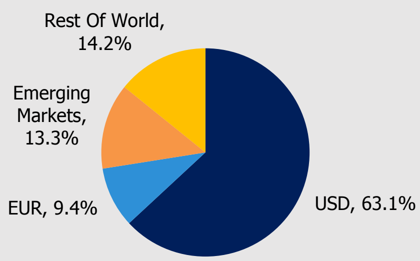
Top 10 Holdings[2]	Sector	%
Apple Inc	Information Technology	4.6
Alphabet Inc	Internet & eCommerce	4.4
Visa Inc	Payments	3.9
McDonald's Corp	Consumer Defensive	3.1
Johnson & Johnson	Health Care	3.0
Oracle Corp	Information Technology	2.9
Yum! Brands Inc	Consumer Defensive	2.9
CVS Health Corp	Health Care	2.9
HCA Holdings Inc	Health Care	2.9
AON PLC	Financials	2.8
	TOTAL:	33.4

Sector Exposure[2]



Strategy Fundamentals[4]	Strategy	Index
Number of Holdings	36	504
Return on Equity	29	17
P/E Ratio (1 year forward)	17.8	17.2
Interest Cover	14	12
Debt/Equity Ratio	56	49
Active Share	74	n/a
Weighted Average Market Cap (USD million)	164,453	n/a

Geographical Exposure[2]



Cumulative Performance[3]	3 Months	Since Inception
Composite (Gross)	**3.5**	**9.8**
Composite (Net)	3.3	9.4
S&P 500 Net TR Index	2.9	9.0
Excess (Gross)	0.6	0.8

Annual Performance[3]	CYTD
Composite (Gross)	**9.8**
Composite (Net)	9.4
S&P 500 Net TR Index	9.0
Excess (Gross)	0.8

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&P 500 Net TR Index. Refer to the end of the document for further information.
3 Returns are for the US Low Carbon 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.
4 The Fundamentals are based on a representative portfolio for the strategy. Refer to the end of the document for further information. The Index is the S&P 500 Net TR Index.
^ Combined risk ratio is a measure of relative beta and relative drawdown to S&P 500 Net TR Index. Please contact MFGAM should you wish for further details on this calculation.
* Returns are only for part year.

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The S&P 500 Net 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.

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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 30-50 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 data@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.

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Market Commentary

US stocks rose 2.6% over the June quarter, after companies posted strong first-quarter earnings while multiples remained elevated. There was a remarkable decline in market volatility, although on closer inspection this was caused more by a reduction in stock inter-correlation than stock volatility, which was steady. This made stock risk easier to diversify, resulting in lower risk in portfolios, a situation that would naturally be co-incident with rising markets.

Economic data was reasonably strong, although inflation is somewhat lower than the Phillips curve would suggest in an expanding economic environment. This mirrors the low response on the downside, suggesting a flatter curve. There may be some measurement issue, however, with wage growth above CPI, which was affected by phone data plans. The Federal Reserve raised the cash rate by a quarter point to between 1% and 1.25% and outlined a plan to reduce its balance sheet.

Movements are in USD

Strategy Commentary

The portfolio recorded a positive return in the quarter, beating the market on a raw performance and beta-adjusted basis. The portfolio beta was just below 80% over the quarter, with cash around the 15% level, reflecting caution on high valuations and high multiples on low beta stocks.

At a stock level, the best performers included investments in McDonald's and PayPal. McDonald's jumped after first-quarter same-store sales growth beat expectations due to pleasing growth in the US where the company's more-focused execution is winning customers. McDonald's had been unpopular with the market, and was bought at a low valuation. PayPal gained after better-than-expected first-quarter earnings allowed the company to boost annual guidance and PayPal announced a US$5 billion share-repurchase program.

Stocks that detracted included investments in Kroger and Verizon Wireless. Kroger fell after the biggest US grocery chain lowered its earnings guidance and then Amazon announced its purchase of rival Whole Foods. Kroger is no longer in the portfolio. Verizon slid on the heightened competition within the US wireless market where unlimited data plans have become more common.