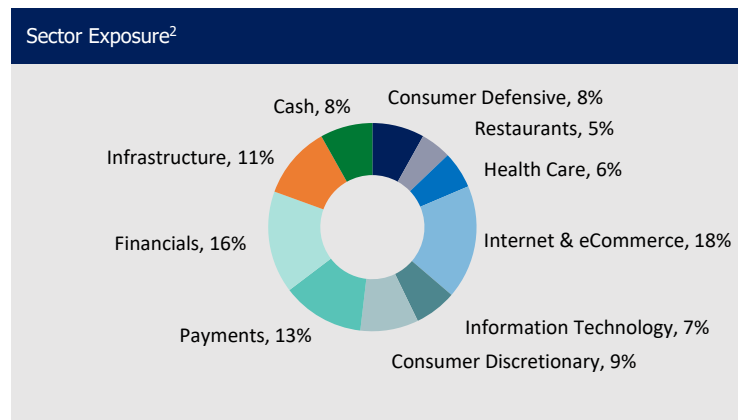


# MFG US Sustainable (USD)

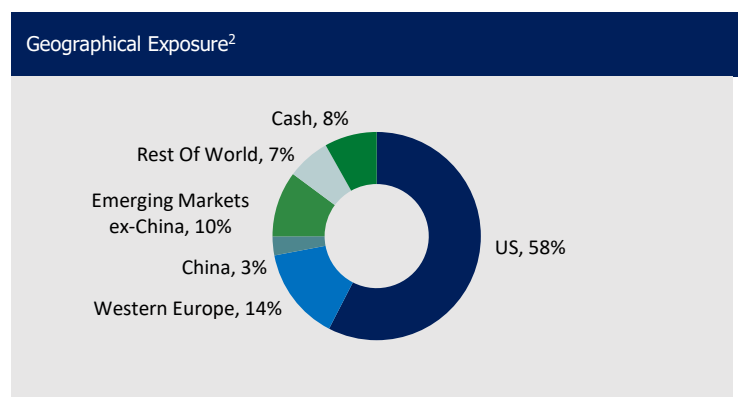
Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Global Assets <sup>1</sup>
Alan Pullen	1 January 2017	USD \$107.3 million	USD \$55,659.4 million

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 <sup>^</sup>
Deliver carbon intensity less than 1/3 of S&P500	Integrated ESG with proprietary, multi-dimensional carbon emissions management

Top 10 Holdings <sup>2</sup>	Sector <sup>2</sup>	%
Alphabet Inc	Internet & eCommerce	6.9
Visa Inc	Payments	6.9
Microsoft Corporation	Information Technology	6.5
Intercontinental Exchange Inc	Financials	4.8
Amazon.com Inc	Internet & eCommerce	4.5
American Water Works	Water Utilities	4.2
Crown Castle International	Communications	4.2
US Bancorp	Financials	4.0
Booking Holdings Inc	Consumer Discretionary	3.8
HCA Healthcare Inc	Health Care	3.7
TOTAL:		49.5



Strategy Fundamentals <sup>2</sup>	Strategy	Index
Number of Holdings	26	505
Carbon Intensity (CO <sub>2</sub> t/US\$1m revenues)	30	n/a
Return on Equity	18	17
P/E Ratio (1 year forward)	23.3	21.2
Interest Cover (EBIT/interest expense)	8	9
Active Share	77	n/a
Weighted Average Market Cap (USD million)	370,008	n/a



Cumulative Performance <sup>3</sup>	3 Months (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	8.2	19.0	14.5	15.3	16.2
Composite (Net)	8.0	18.0	13.6	14.4	15.2
S&P 500 NTR Index	8.8	14.5	8.9	11.6	13.0
Excess (Gross)	-0.6	4.5	5.6	3.7	3.2

Annual Performance <sup>3</sup>	CYTD (%)	2019	2018	2017*
Composite (Gross)	8.5	36.4	-2.6	21.7
Composite (Net)	7.9	35.3	-3.4	20.7
S&P500 Net TR Index	5.1	30.7	-4.9	21.1
Excess (Gross)	3.4	5.7	2.3	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. Exposures may not sum to 100% due to rounding. 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.

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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.

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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@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.

USD is the currency used to calculate performance.

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## Market Commentary

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US stocks hit record highs in the three months to September after reports showed stimulus is helping the reopening economy recover from the pandemic, the Federal Reserve indicated it would keep rates low for a while yet, and tech stocks reported earnings that showed how much they have benefited from the shift to online. The S&P 500 Index rallied 8.5%, to complete its best back-to-back quarters since 2009.

During the quarter, the Fed moved to a flexible average inflation target by allowing inflation to exceed 2%. The Fed's shift suggested lower interest rates for longer as it indicated the central bank would not pre-emptively raise interest rates when unemployment was low as long as inflation was under control.

Economic reports released during the three months indicated the US economy was recovering from the record 31.4% annualised decline in the second quarter. Of note, a report showed the jobless rate fell to 8.4% in August and that the economy had added 10.6 million jobs since it shredded 22.2 million jobs in March and April when the jobless rate was 14.7% (compared with 3.5% in February).

Big Tech CEOs were grilled by congress over the alleged anti-competitive nature of their businesses as the tech icons posted healthy earnings for the second quarter.

In political news, the Democratic and Republican parties held their conventions and at quarter end polls placed Democrat presidential nominee Joe Biden ahead of President Donald Trump in the quest for the White House.

## Strategy Commentary

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The strategy recorded a positive return for the quarter. The biggest contributors were the investments in Amazon.com, HCA Healthcare and American Water Works. Amazon thrived as a restricted world turned to online retailing during the pandemic. HCA Healthcare rose after the easings of restrictions designed to slow infection rates meant the hospital group could resume elective surgeries. American Water Works, the largest listed water utility in the US, rose as investors backed its low-risk business model.

The only detractor was a recently purchased stock.

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