

## PORTFOLIO MANAGERS

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### INVESTMENT PHILOSOPHY

To invest in outstanding companies at attractive prices, while exercising a deep understanding of the macroeconomic environment to manage investment risk.

### OBJECTIVE

To seek to achieve attractive risk-adjusted returns over the medium to long term; while reducing the risk of permanent capital loss.

### PORTFOLIO CONSTRUCTION

A relatively concentrated portfolio of 20-40 high quality securities constructed with strict risk discipline and macroeconomic insight seeking to achieve strong risk-adjusted returns.

Cash and cash equivalents exposures between 0 – 10%.

## MFG GLOBAL FUND - CLASS 1

FUND SIZE	TOTAL GLOBAL EQUITY ASSETS <sup>1</sup>	MANAGEMENT FEES	INCEPTION DATE
USD \$2.6 million	USD \$8,650.7 million	Management fee for the Fund is 0.80% per annum	8 October 2013

### USD PERFORMANCE<sup>#</sup>

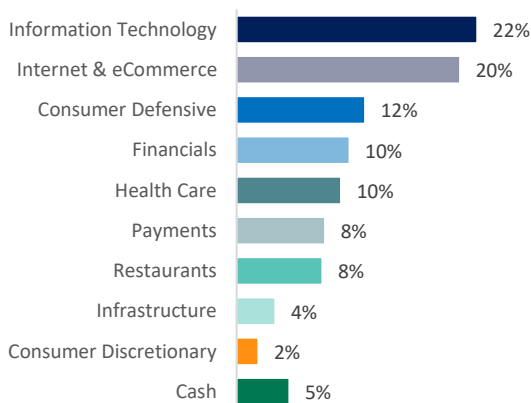
	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	10 Years (% p.a.)	Since Inception <sup>2</sup> (% p.a.)	OUTPERFORMANCE CONSISTENCY <sup>3</sup>
MFG Global Fund - Class 1 (Before Fees)	5.4	14.9	19.1	19.7	11.4	11.5	11.1	11.3	61%
MFG Global Fund - Class 1 (After Fees)	5.3	14.6	18.1	18.7	10.5	10.6	10.3	10.4	55%
MSCI World NTR Index <sup>*</sup>	4.3	11.5	16.3	18.3	14.6	11.6	10.7	10.5	-

### CALENDAR YEAR RETURNS

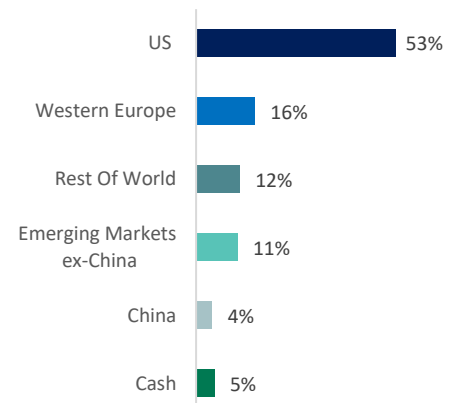
	CYTD (%)	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%) <sup>*</sup>
MFG Global Fund - Class 2 (Before Fees)	13.4	19.6	24.8	-20.4	13.7	11.0	29.3	0.1	24.9	4.2	4.0	6.2	10.7
MFG Global Fund - Class 2 (After Fees)	13.0	18.6	23.8	-21.0	12.8	10.1	28.3	-0.7	23.9	3.4	3.1	5.4	10.5
MSCI World NTR Index <sup>*</sup>	9.5	18.7	23.8	-18.1	21.8	15.9	27.7	-8.7	22.4	7.5	-0.9	4.9	8.5

Past performance does not predict future returns.

### SECTOR EXPOSURE BY SOURCE OF REVENUE<sup>4</sup>



### GEOGRAPHICAL EXPOSURE BY SOURCE OF REVENUE<sup>4</sup>



<sup>1</sup> Comprised of all Global Equity strategies managed by MFG Asset Management.

<sup>2</sup> Inception date of the Fund (Class 1) is 8 October 2013.

<sup>3</sup> Outperformance consistency indicates the percentage of positive excess returns for rolling 3 year returns since inception.

<sup>4</sup> Sectors are internally defined. Geographical exposure is calculated on a look through basis on underlying revenue exposure of individual companies held within the portfolio. Exposures may not sum to 100% due to rounding.

<sup>#</sup> Shares are denominated in USD. This presents certain risks relating to currency conversion if an investor's financial activities are denominated principally in a different currency, for example, Euro. These include the risk that exchange rates may significantly change. An increase in the value of the investor's currency against USD would decrease the investor's currency equivalent value of the Net Asset Value and Net Asset Value per Share.

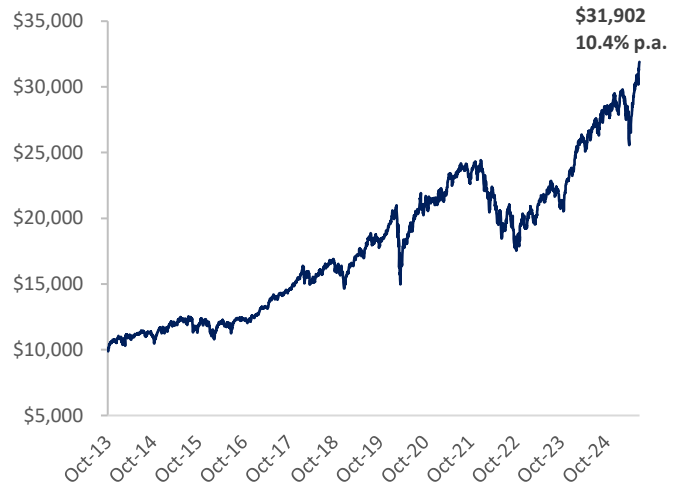
<sup>\*</sup> All MSCI data used is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI and its affiliates assume no liability for or in connection with the data. Please see complete disclaimer in [www.mfgam.com.au/funds/benchmark-information/](http://www.mfgam.com.au/funds/benchmark-information/)

<sup>\*</sup>Part year return.

## TOP 10 HOLDINGS

STOCK	SECTOR <sup>4</sup>	%
Amazon.com Inc	Internet & eCommerce	8.1
Microsoft Corporation	Information Technology	7.9
Meta Platforms Inc	Internet & eCommerce	5.1
Taiwan Semiconductor - SP ADR	Information Technology	4.8
Yum! Brands Inc	Restaurants	4.1
Visa Inc	Payments	4.0
Mastercard Inc	Payments	4.0
Procter & Gamble	Consumer Defensive	3.9
Netflix Inc	Internet & eCommerce	3.7
Chipotle Mexican Grill Inc	Restaurants	3.7
<b>TOTAL:</b>		<b>49.3</b>

## PERFORMANCE CHART GROWTH OF USD \$10,000<sup>5</sup>



Past performance does not predict future returns.

## CAPITAL PRESERVATION MEASURES<sup>6</sup>

ADVERSE MARKETS	3 Years	5 Years	10 Years	Since Inception
No of observations	13	22	40	47
Outperformance consistency	38%	41%	63%	60%
Average return - Fund (%)	-3.5	-3.8	-3.4	-3.1
Average return - Index (%)	-3.4	-3.8	-3.9	-3.7
Down Market Capture	1.0	1.0	0.9	0.9
<b>DRAWDOWN</b>				
Maximum Drawdown - Fund (%)	-13.5	-26.7	-26.7	-26.7
Maximum Drawdown - Index (%)	-13.1	-25.4	-25.4	-25.4

<sup>5</sup> Growth of USD \$10,000 is calculated using USD returns after fees and since inception.

<sup>6</sup> Capital preservation measures are calculated before fees. An adverse market is defined as a negative monthly return for the MSCI World NTR Index (USD). Down market capture shows how the fund performed relative to the index while the market is falling.

## IMPORTANT INFORMATION

MFG Global Fund - Class 1 ('Fund') is a sub-fund of MFG Investment Fund plc, an open-ended umbrella fund with segregated liability between sub-funds, which is incorporated in Ireland and authorised under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended). This is a marketing communication and is not a contractually binding document. Please refer to the Prospectus of MFG Investment Fund plc and the Supplement and KIID for the Fund and do not base any final investment decision on this communication alone. The Prospectus, Supplement, KIID and a summary of investor rights are available in English at [www.magellangroup.com.au](http://www.magellangroup.com.au).

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An investment in shares of the Fund does not represent a direct interest in any of the underlying assets owned by the Fund which may be freely acquired and disposed of by MFG Asset Management for and on behalf of the Fund.

The Fund aims to preserve capital and reduce downside volatility risk and offers investors an opportunity to invest in a focused global equity fund, through a portfolio comprising 20 to 40 securities in high quality companies. The Fund is actively managed with investment decisions made on a fully discretionary basis. However, the portfolio is designed to have lower historical volatility than that exhibited by world equity markets, as measured against the MSCI World Index. Therefore, the Fund can be said to be managed by reference to the MSCI World Index, but as a performance reference benchmark only. The MSCI World Index 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. Further information regarding any benchmark referred to herein can be found at [www.mfgam.com.au/funds/benchmark-information/](http://www.mfgam.com.au/funds/benchmark-information/). Any third-party trademarks contained herein are the property of their respective owners and MFG Asset Management claims no ownership in, nor any affiliation with, such trademarks. Any third-party trademarks that appear in this material are used for information purposes and only to identify the company names or brands of their respective owners. No affiliation, sponsorship or endorsement should be inferred from the use of these trademarks.

## Market Commentary

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Global equities gained 11.5% in the June quarter as measured by the MSCI World Index in USD. There was significant volatility within the quarter. The June quarter began with Donald Trump announcing 'Liberation Day' tariffs that were deeper and more broad-reaching than anticipated, leading to a substantial market correction. Since then, trade tensions have de-escalated, with the US and China agreeing to a 90-day reduction in tariffs while working towards a trade deal. The US House of Representatives passed Donald Trump's signature budget bill to the Senate, legislating the extension of major tax cuts. Markets also endured a so far short-lived conflict between Israel and Iran towards the end of the quarter. The US yield curve steepened over the quarter as near-term rates factored in growth concerns and policy easing by the US Federal Reserve. Longer-term rates were partly affected by prospects of higher budget deficits. The Q1 corporate earnings season was generally positive. The best performers in the quarter were Information Technology (+22.5%), Communication Services (+18.1%) and Industrials (+11.9%). Consumer Discretionary (+8.9%) and Financials (+7.1%) underperformed the overall market slightly. In contrast, defensive Utilities (+5.6%), Consumer Staples (+0.8%) and Healthcare (-6.1%) sectors lagged. The Energy sector (-7.1%) was the worst performer.

Japan's Nikkei 225 was the best-performing index in the quarter, rising by 13.8%. This move was supported by a broad easing of trade tensions, and a sustained weakening of the Yen. The MSCI Emerging Markets Index followed, gaining 12.0% in the June quarter. The S&P 500 Index gained 10.8% while the tech-focused Nasdaq Composite rallied 17.9% in the June quarter. Australia's S&P/ASX 200 Accumulation Index grew by 9.5%. Notably, the STOXX Europe 600 and China's CSI 300 Index lagged, rising by 2.8% and 2.3% respectively.

Over the quarter, the US economy appeared to be resilient despite tariff-induced uncertainties. Survey-based consumer confidence and ISM releases contrasted with a relatively positive March quarter given uncertainty relating to tariffs. Despite this, the US labour market remained resilient throughout the quarter with robust payrolls growth alongside a steady unemployment rate remaining at 4.2% through the quarter. Although Q1 US Real GDP contracted by 0.5% this was due mainly to the pulling forward of import demand that detracted from growth ahead of a tariff announcement in Q2. We see this as backward-looking. On monetary policy, the Federal Reserve progressively downgraded its growth forecasts and raised inflation forecasts. Minutes from the June FOMC meeting highlighted the difficulty the current macroeconomic environment posed to balancing competing goals of full employment and price stability.

## Fund Commentary

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The portfolio recorded a strong positive return in the quarter to June 2025.

The stocks that contributed the most to the portfolio's return this quarter were Microsoft, Netflix and TSMC. Microsoft released a strong Q1 result beating across all segments including its non-AI growth within its cloud business – an area whose growth had previously underwhelmed investors. Additionally, Microsoft displayed good cost restraint. Netflix also had a solid Q1 result, but investors were increasingly attracted to its industry leadership and defensiveness, as well as its insulation from geopolitical risk and AI disruptions. TSMC also produced a strong Q1 result, with investors also buoyed by Trump's 90-day tariff pause and major AI data centre buildouts announced in the US and the Middle East.

The largest detractors were UnitedHealth, LVMH and Nestlé. UnitedHealth's share price fell as policyholder payouts were higher than expected and it revealed it had underestimated the cost of serving new customers. These revelations saw CEO Witty resign and the former CEO Hemsley step back in. We believe Hemsley is well-placed to address the issues facing the business given his prominent role in building the company. LVMH was affected by tariffs, USD depreciation and slower sales on weaker consumer sentiment. In our view, these factors are manageable or short-term in nature. Nestlé's share price was pressured by signs of a slower consumption growth outlook with the company, having already raised prices considerably since Covid to protect profit margins.

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

## Outlook

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We continue to expect markets to grind higher, based on our expectations that there will be trade deals signed with the US and governments will stimulate their economies via fiscal policy. Uncertainty about the international trading patterns has weighed on the spending plans of consumers and employers; however, we believe all countries are incentivised to reduce this uncertainty in order to support economic growth. In a similar vein, we expect governments around the world to stimulate their economies to offset tariff-related uncertainty as well as reduce their reliance on the US. In a world with a moderate cyclical pickup in growth and tariff barriers, we see the outlook for growth and inflation being consistent with a drift higher in market interest rates.

Consistent with our base case outlook, the portfolio is taking its maximum permitted level of risk, albeit this is 20% below that of the overall market. In our view, a continuation of the circa 20% p.a. returns of the past few years is unlikely, as our analysis suggests that the majority of these gains were driven by higher investor sentiment rather than improved fundamentals such as larger-than-expected profits. Moreover, our work indicates that sentiment is at peak cycle levels, signalling to us that there is little scope for it to push markets higher in a sustainable manner. Accordingly, should market returns prove to be weaker than we anticipate, we are confident that the portfolio will outperform the broader stock market.

With sentiment and market valuations elevated, we believe that it is incredibly important that investors pay attention to stock valuations. The larger-than-usual gap between the valuations of growth companies compared to those of defensive companies sits well with our natural overweight to defensive companies. When it comes to our exposure to growth companies, we remain convinced that the transition to the cloud, rising digitalisation and ageing populations are attractive structural themes. While comparisons of technology valuations now versus the late 1990s are commonplace, we believe that there are a couple of important differences. The first is that AI seems to have a shorter pathway to producing profits compared to the late 1990s, when many of the largest internet companies were loss-making. The second is that the largest threat to technology company returns may not be the popping of an irrational investor exuberance bubble like in the late 1990s, but regulators and politicians fundamentally undermining profitability. The earnings and market power of today's AI companies exceed that of the late 1990s technology leaders.

We view geopolitical shocks as most likely offering investors opportunities to purchase high-quality companies at low prices. We applied this perspective to markets after the "Liberation Day" tariffs in early April, confident in our view that neither Trump nor other national leaders wanted a global economic slowdown, with tough talk eventually replaced with backing down – and markets eventually recovering. Unless the geopolitical event results in a prolonged and negative supply-side shock, the medium- to longer-term impact of geopolitical developments has generally been minor.

We remain confident that the portfolio will achieve its 9% per annum net of fees objective over the economic cycle while minimising the permanent loss of capital. Your portfolio management team is backed by a team of talented analysts who are focused on finding the highest-quality companies and most attractive investment opportunities.

## Stock Story: Chipotle

(Emma Henderson - Investment Analyst)



Steve Ells, a classically trained chef, founded Chipotle in 1993 with a vision to combine the speed and accessibility of fast food with the quality and integrity of higher-end dining. His goal was to prove that serving delicious, affordable food made from real, responsibly sourced ingredients could be scalable. Mexican cuisine – naturally aligned with this desire for fresh, simple ingredients and supported by a highly efficient food assembly model – became the obvious choice to meet Ells's vision.

Three decades later, Chipotle has grown into the largest 'fast-casual' dining offering in North America, with over 3,700 stores that generate industry-leading average sales volumes and restaurant operating margins from a simple menu of Mexican

burritos, bowls and tacos. Its growth is far from over, with the company targeting new store openings at a rate of between 8% and 10% per annum and seeing a long-term opportunity to nearly double its North American store base from its size today.

In a United States food industry that is increasingly bifurcating between those who embrace transparency, health and sustainability – and those who don't – Chipotle's brand values and industry positioning are more relevant than ever. Earlier this year, the United States Department of Health and Human Services released the 'Make America Healthy Again' (MAHA) report, which seeks to combat rising chronic diseases among children and modernise the US food industry to better align with the regulatory standards of other developed markets. Key actions include reducing ultra-processed foods, eliminating synthetic additives and promoting whole, nutrient-dense ingredients. With just 53 ingredients on its approved list, Chipotle's food menu has long excluded artificial flavours, colours, preservatives, added hormones and food dyes. It was the first national restaurant chain to commit to using only responsibly raised meat and to set goals for sourcing organic and local produce. While not receiving a perfect score – some consumers still criticise the use of seed oils in cooking or the presence of genetically modified organisms (GMOs) in certain beverages or animal feed – its food quality efforts remain among the most credible and ambitious in the industry.

Chipotle also continues to benefit from the secular rise of Mexican cuisine, a category that offers freshness, flavour and customisability. Chipotle's menu allows for fully personalised meals and emphasises high-protein, minimally processed ingredients, making it attractive to a broad base of health-conscious consumers, including athletes and a new and growing demographic: GLP-1 medication users. These drugs, such as Ozempic and Wegovy, are reshaping American eating habits by curbing appetite and reducing caloric intake. As consumers shift towards fewer but higher-quality meals, Chipotle stands out as a preferred option, especially compared to brands dependent on highly processed, impulse purchases.

We view Chipotle as a high-conviction structural compounder, uniquely positioned as a well-loved brand at the intersection of the consumer preferences, policy trends and medical innovations that are reshaping the US food system. We expect Chipotle, stewarded by strong, forward-looking management, to continue delivering attractive, durable shareholder returns in a changing world as the company progresses towards its goal of 7,000 North America locations.