MFG Core International Fund

(Managed Fund) (Ticker: MCSG)

A low-cost diversified global equity portfolio of 70-90 of the world's best companies

Fund Update: 31 March 2022

ARSN: 645 515 082
APIR: MGE3851AU

Fund Features

- A portfolio of high-quality securities that is actively constructed and rebalanced quarterly
- Integrated quality framework to identify companies with sustainable competitive advantages, and with a forward-looking view to the evolution in technology, consumer behaviour and other fundamental impacts on businesses
- Quarterly rebalanced, and continuously monitored, to ensure relevant and updated views on quality, value and risk
- Investors can buy or sell units on the Cboe securities exchange like any other listed security or apply and redeem directly with the Responsible Entity

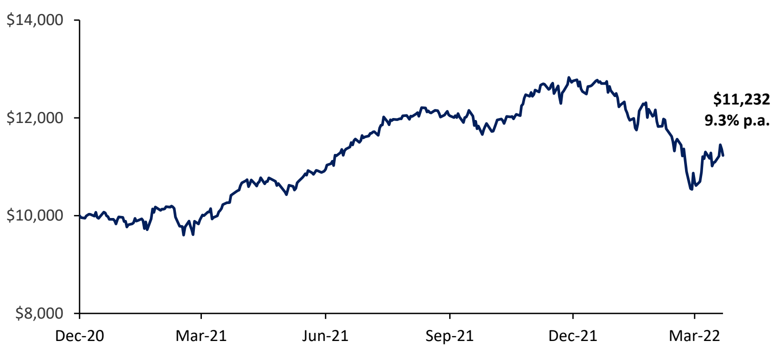
Fund Facts

Portfolio Manager	Vihari Ross	
Structure	Global Equity Fund, A$ Unhedged	
Objective	Achieve attractive risk-adjusted returns over the medium to long term through investment in a diversified portfolio of high quality companies	
Inception Date[1]	11 December 2020	
Management Fee[2]	0.50% per annum	
Buy/Sell Spread[2,3]	0.10%/0.10%	
Minimum Investment[3]	AUD$10,000	
Fund Size/NAV Price	AUD $17.7 million / $3.7676 per unit	
Distribution Frequency	Semi-annually	
Cboe Ticker	MCSG	
Tickers	**Solactive iNAV**	**ICE iNAV**
Bloomberg (MCSG AU Equity)	MCSGAUIV	MCSGAUIV Index
Refinitiv (MCSG.CHA)	MCSGAUDINAV=SOLA	MCSGAUiv.P
IRESS (MCSG.CXA)	MCSGAUDINAV	MCSG-AUINAV.NGIF

Visit www.mfgcoreseries.com.au for more information, including: fund performance, unit prices and iNAV, investment insights, PDS & forms

[1]The inception date represents the first date the fund was offered to retail investors;
[2]All fees are inclusive of the net effect of GST;
[3]Only applicable to investors who apply for units directly with the Responsible Entity.

Performance Chart growth of AUD $10,000*



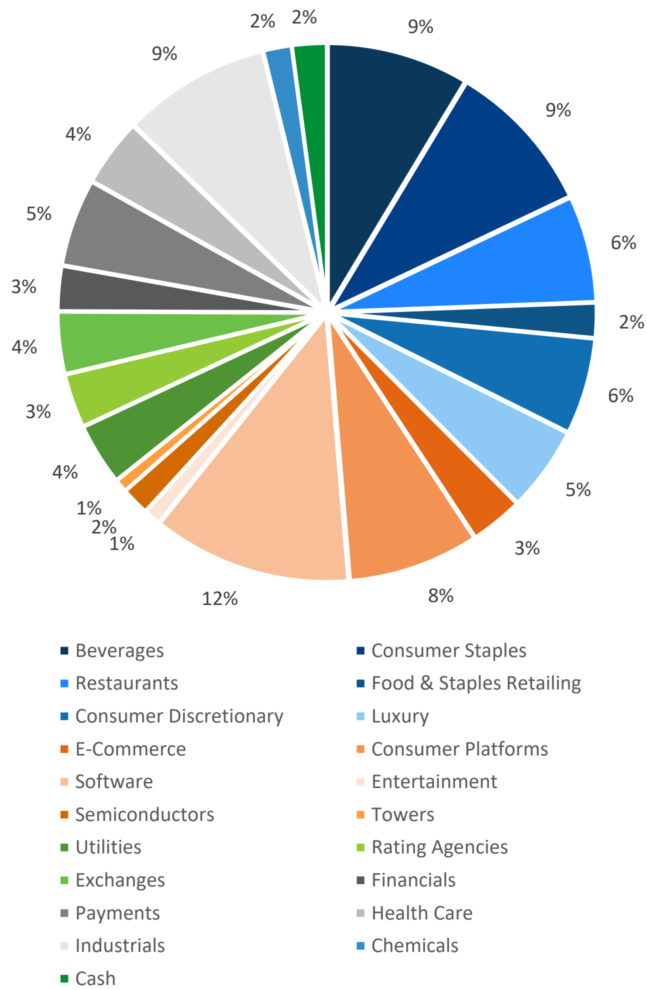
Performance*

	Fund (%)	Index (%)**	Excess (%)
1 Month	-1.8	-0.7	-1.1
3 Months	-11.6	-8.2	-3.4
6 Months	-4.6	-1.7	-2.9
1 Year	9.4	11.7	-2.3
Since Inception (p.a.)	9.3	13.9	-4.6

Top 10 Positions

Company	Sector#	%
Alphabet Inc	Consumer Platforms	2.7
Microsoft Corporation	Software	2.5
LVMH Moet Hennessy Louis Vuitton	Luxury	2.4
Starbucks Corporation	Restaurants	2.3
Adobe Inc	Software	2.2
Yum! Brands Inc	Restaurants	2.1
McDonald's Corporation	Restaurants	2.0
Heineken NV	Beverages	2.0
Nestle SA	Consumer Staples	1.9
Meta Platforms Inc	Consumer Platforms	1.8
	TOTAL:	21.9

Portfolio Snapshot#



* Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Fund Inception 11 December 2020. Returns denoted in AUD.
** Benchmark is the MSCI World NTR Index (AUD).
\# Sectors are internally defined. Exposures may not add to 100% due to rounding.

Market Commentary

Global stocks tumbled in the March quarter after Russia's invasion of Ukraine heightened uncertainty about the global economic outlook and boosted energy and grain prices in a world where inflation is at decade highs, and the Federal Reserve embarked on the first of an expected series of rate increases to quell US inflation which is at its highest in 40 years. During the quarter, eight of the 11 sectors fell in US-dollar terms. Consumer discretionaries (-11%) plunged the most while energy (+31%) soared most. The Morgan Stanley Capital International World Index dropped 5.2% in US dollars and 8.2% in Australian currency.

US stocks slid as bond yields surged, companies said higher inflation would curb margins and investors readied for up to another 11 US rate increases by the end of 2023. Inflation reached 7.9% in the 12 months to February, the fastest pace since 1982. Soon after, the Fed raised the US cash rate by 0.25% from close to zero. Projections released after the central bank's policy-setting board meeting showed the median board member expects to authorise another 11 rate increases of 25 basis points by the end of 2023 that would lift the key rate to 2.8%. Fed Chair Jerome Powell further boosted bond yields when he warned the central bank might increase the cash rate in steps of 50 basis points if inflation stayed high. The S&P 500 Index lost 4.9%.

European stocks fell as higher inflation prompted the European Central Bank to warn it would tighten monetary policy even though the Russian invasions of Ukraine raised prospects of a eurozone recession, boosted energy and grain prices and prompted sanctions designed to wreck Russia's economy. Eurozone inflation accelerated to a record high of 5.8% in the 12 months to February. The ECB signalled it was more worried about high inflation than slowing economic growth when it said it would phase out its bond-buying program by September or even sooner, overriding previous guidance the purchases would last until October at least. The Bank of England in March lifted its key rate by 0.25% to 0.75%, marking three rate increases in three months, to curb inflation that reached 6.2% in the 12 months to February, its highest in three decades. The Euro Stoxx 50 Index plunged 9.2%.

Japan's Nikkei 225 Index lost 3.4% amid global uncertainty. Australia's S&P/ASX 200 Accumulation Index, however, gained 2.2% as commodity and energy prices rose, reports showed the economy was strong, and the government delivered a generous budget as it readied for an election in May. China's CSI 300 Index dived 14.5% after covid-19 infections prompted lockdowns, investors speculated that sanctions against its ally Russia could spread to China and after a crisis in property slowed economic growth to a 12-month rate of 4% in the December quarter. The MSCI Emerging Markets Index lost 7.3% in US dollars as Russia's economic outlook collapsed and there was talk that higher US bond yields would lead to sovereign defaults.

Fund Commentary

The portfolio recorded a negative return for the quarter. The biggest detractors were the investments in Meta Platforms, Starbucks and Heineken. Meta fell after the owner of Facebook offered only a weak revenue forecast due to Apple privacy restrictions inhibiting the reach and effectiveness of its advertising and its Facebook site suffered its first drop in regular users in part due to the popularity among the young of TikTok. Starbucks slid on reduced guidance tied to its business in China where covid-19 is prompting lockdowns and higher wage costs in the US. Heineken dropped on exit from its Russian operations and risk that inflation might hurt profitability.

The biggest contributors were the investments in Deere & Co, Deutsche Böerse and Pernod-Picard. Deere rallied on another impressive quarter – revenue topped US$9.5 billion for the three months to January 31. Deutsche Böerse gained given higher rate expectations are favourable to volumes on the platform. Pernod outperformed other alcohol players as it has limited exposure to Russia and Ukraine and inflation headwinds facing other players.

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

Stock Story: Nestlé

Nestlé, a food company with a history stretching to 1866, is notable for its recent innovation drive.

Coffee (26% of fiscal 2021 sales of 87.1 billion Swiss francs) has benefited from the launch of Starbucks at Home, a tie-up with Starbucks and Nespresso, and innovation in Nescafé instant coffee. Bean selection is now approached in much the same way as wine makers grade grapes and there's an organic option.

Innovation in pet care (18% of sales) is about targeting at the pet level. In many parts of the world, Fido can receive a blend of dog food and supplements delivered to the home with his name stamped on the front. Improved online ordering means people can buy pet food in bulk without the need to lug it home.

Such is the revamp of the Swiss-based company since Mark Schneider became CEO in 2017. Key drivers of success under Schneider include a switch into healthier products such as plant-based foods and vitamins and supplements, and a focus on novel products with faster times to market for the latest offerings. Schneider has also reshaped the company's portfolio of assets by conducting some 85 divestments and acquisitions over the past five years.

Nestlé shares are trading around a record high set in November last year because investors recognise that an overhauled company with great brands is enjoying a virtuous cycle kicked off by digitalisation. The enhanced consumer insights improve innovation, which leads to the creation and successful launch of better products produced at economies of scale that bestow an unassailable competitive advantage on the company.

Nestlé has 31 'mega-brands' including Coffee mate, Haagen-Dazs ice cream, Maggi noodles, Milo, Nescafé, Nesquik, Nespresso, Purina pet care and San Pellegrino mineral water. Each has loyal consumers, which means these products command a premium price and superior access to supermarket shelves. Each generates global sales of more than one billion Swiss francs every year.

Nestlé, in all, boasts 2,000-plus brands that are sold in 186 countries, and many hold the No. 1 or No. 2 positions in their categories. The brands are split across seven segments. In order of fiscal 2021 sales, these are: powdered & liquid beverages (28%), pet care (18%), nutrition & healthcare (15%), prepared dishes & cooking aids (14%), milk products & ice cream (12%), confectionery (9%) and water (5%).

We believe that Nestlé's great brands mean the company will continue to have steady cash flow and earnings streams no matter the state of the economy. As such, the stock has a 'defensive' appeal, which is why it's held up better than most during the market-wide share slide so far in 2022.

Sources: Company filings and website, Bloomberg News and Dunn & Bradstreet.