

Transcript

Review of the past year and outlook

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A year of strong investment returns

What a remarkable 12 months it's been, following the previous year, which was even more extraordinary.

Despite recent lockdowns and restrictions here in Australia, the rollout of vaccines in many other parts of the world is making it possible for more countries and communities to gradually take steps towards normalcy.

Investment markets and economies have been reflecting this encouraging reality.

Returns for most asset classes and markets have been strong during this period and this is reflected in generally strong returns for our diversified funds – Horizon, Index Plus and Inflation Plus funds – as well as MySuper over the last 12 months.

Innovating with 'participate and protect' strategies

Looking ahead, in our view, there are two clouds in the silver lining of strong markets.

Firstly, investment returns over the next year or so are likely to be a touch lower.

Strong returns mean that most investment markets today are quite expensive, compared to their history, which will make it harder for them to keep growing at their recent pace.

Secondly, inflation, which hasn't been an issue for 3-4 decades, seems to be re-emerging and this is another complication that investment managers like MLC must address.

We're responding innovatively to both issues. One of the ways we're doing so is by what we call 'participate and protect' investment strategies.

Superannuation members, for example, need to participate in growth assets like shares, because they are expected to provide higher returns than inflation over the long run.

At the same time, we're mindful that share markets may experience bouts of volatility and so we have protective strategies in place, to provide a cushion, in the event of downturns.

We're also uncovering opportunities in corners of investment markets less discovered by others, like investments in catastrophic insurance.

It's all part of our emphasis on diversification, which means that investment success isn't dependent upon any single investment strategy. Instead, returns are gained from many sources.

Diversification has served our clients through many market cycles since 1985 and we believe it will serve our clients well in the many years to come.

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