

# Investment Q&A

## Changes to the MLC Index Plus portfolios

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January 2017

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### What are the changes?

In our MLC Index Plus portfolios' strategy we've:

- changed the benchmark asset allocations, including making new allocations to a Real Return Strategy within alternatives and to a Risk Management Strategy.
- widened the ranges the total growth and total defensive assets can be managed within to +/-10% of the benchmark, previously +/-5%.

### Why is MLC making these changes?

At MLC, we're always researching ways to improve and evolve our investment strategies.

The changes to the benchmark asset allocations are a result of our regular benchmark reviews. These reviews improve the quality of asset class exposures and adjust the benchmark's asset allocation with the aim of enhancing the portfolios' expected returns.

The first change is the introduction of a Real Return Strategy within a new allocation to alternatives. We believe this strategy, which is described below, will help increase diversification and give us more flexibility to manage risk and smooth out returns in the portfolios. The portfolios currently invest 5% to 6% of their assets in this strategy.

The second change is introducing a Risk Management Strategy, which is a new derivatives capability. Derivatives are a common tool we already use to manage the portfolios. We believe the addition of the Risk Management Strategy will help us manage risk and implement investment insights more efficiently and at lower cost.

Widening the benchmark asset allocation ranges will give us more flexibility in future asset allocation decisions to implement our insights on changing risk and return opportunities and, in particular, to better manage risk.

### How may investors benefit?

We believe these changes will:

- help to smooth out returns by better managing risk, and
- provide higher returns for the level of risk we take.

## What is the Real Return Strategy?

The Real Return Strategy is managed by MLC's Capital Markets Research team, which manages MLC's multi-asset portfolios. This team has been making allocations to carefully selected alternatives for many years in most of those portfolios.

The cost-effective Real Return Strategy aims to deliver a return above inflation (before fees) over five year periods by limiting the risk of negative returns over this time frame.

The strategy can invest in a wide range of assets and strategies. We have the flexibility to make large changes to the strategy's asset allocation to manage risk and capture opportunities for returns as the investment environment evolves. We expect this diversification, flexibility and ability to tailor risk exposures will help us to generate higher returns for the level of risk we take in the MLC Index Plus portfolios and smoother returns.

## Will fees change?

No, there is no impact on fees from these changes.

## How can you find out more?

Please speak to your financial adviser or contact MLC.

The updated benchmark asset allocations for your investments are available on the Fund Profile Tool on [www.mlc.com.au/fundprofiletool](http://www.mlc.com.au/fundprofiletool)

The [Fund Profile Tool](#) is updated monthly with asset allocations, performance and fund commentary.

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### The funds affected by these changes

The following funds are affected by the changes to the MLC Index Plus portfolio' strategy. These funds are offered through MLC's platforms and MLC Wholesale, in addition to some external platforms.

MLC Index Plus Conservative  
Growth Portfolio

MLC Index Plus Balanced  
Portfolio

MLC Index Plus Growth Portfolio