

Investor Q&A

What does the recent market volatility mean for investors?

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What's causing the market volatility?

We've been concerned that the very low interest rates and central banks injecting cash into economies has contributed significantly to the strong market returns we've seen in recent years. That stimulus is now being wound back and interest rates are rising. It's highly uncertain how this policy reversal will affect financial markets and the economy. Share market prices are reflecting this uncertainty, especially after unexpectedly high wages growth in the US. This has accentuated concerns that inflation may rise faster than previously expected, requiring interest rates to rise higher.

How does the recent market volatility impact the funds I invest in?

If your funds are invested in shares, movements in the value of share markets will affect your investment value.

Share markets have risen strongly in recent years, helping deliver solid returns to investors. However, it's quite normal for share markets to ease back after a period of substantial growth.

If possible, you should continue to focus on how you're progressing towards your longer-term goals. If you were invested during the period of strong returns in recent years you may be pleased with your longer-term returns despite the recent volatility. You may also find it reassuring to know that, often investments that produce higher returns and growth in value over long periods tend to be more volatile in the short term.

Should I be selling my investments now?

While market downturns are generally unpleasant, they are to be expected as uncertainty will never disappear from investment markets.

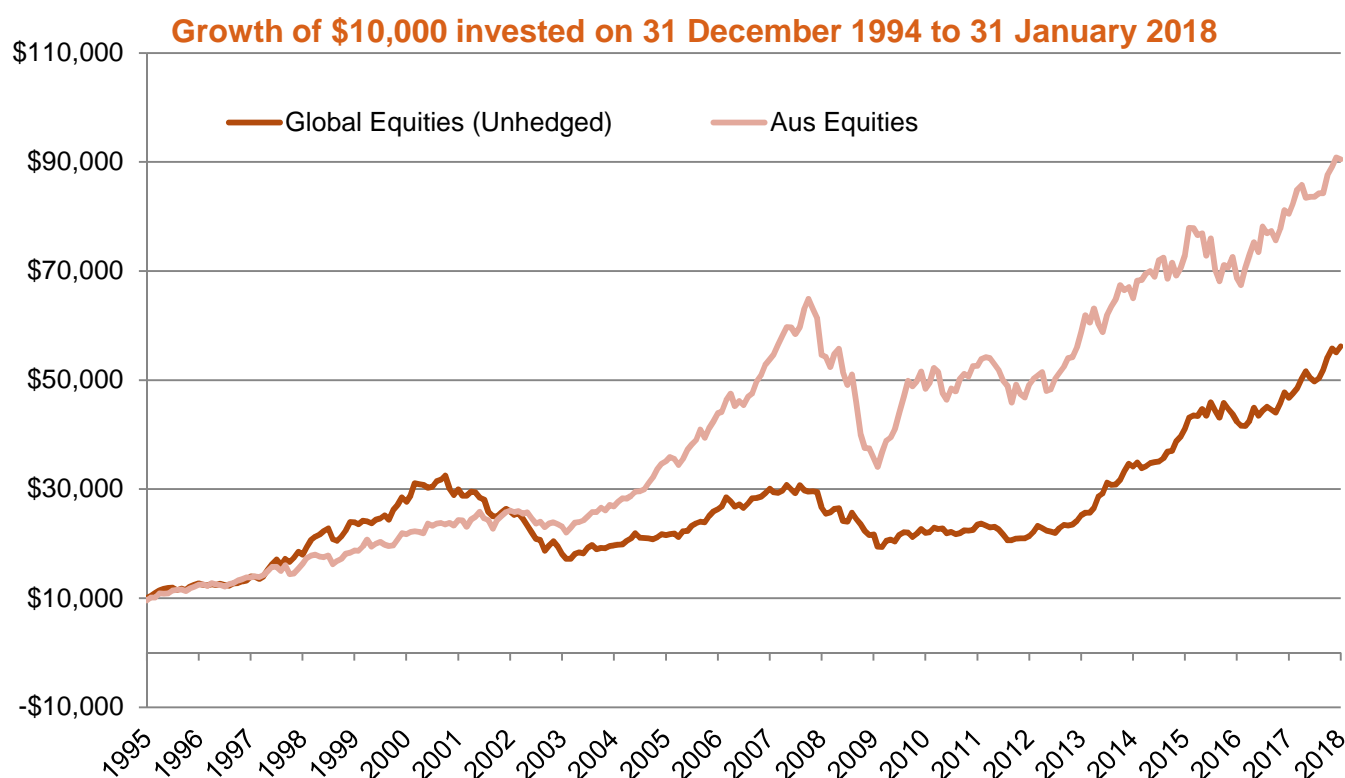
As you can see in the following chart, Australian and global share markets have eventually bounced back from numerous down times, including the GFC.

By selling your investments immediately after a correction you're not only taking losses, you're reducing your chances of making your money back should markets recover.

The reality of investing in share markets is that we need to accept some risk when seeking returns that will outpace inflation in the long run.

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Source: FactSet, Global equities (unhedged): MSCI All Countries World (Gross, \$A) Index, Australian equities: S&P/ASX 300 Total Return Index. Returns are total returns with dividends reinvested. Past performance is not a reliable indicator of future performance.

I'm retired or close to retirement, what should I do?

It's not always easy to ignore what's happening to your investments when there is negative news and markets are volatile. While history has shown us the share market does bounce back, it may be swift or it may take years.

If possible, you should continue to focus on how you're progressing towards your longer-term goals. However, if the recent market volatility has unsettled you to the point where you would prefer to reduce your exposure to riskier assets or protect some or all of your capital, there are some solutions available. We recommend you discuss solutions with your financial adviser.

What is MLC doing to protect its customers from the impact of the market volatility?

The market has been overlooking the potential risks of rising interest rates and reduced central bank stimulus for some time, so risk management has been uppermost in our mind. We've believed for some time that where possible, it's appropriate to 'defensively' position our multi-asset portfolios - MLC Inflation Plus, MLC Horizon and MLC Index Plus portfolios. For example we've been holding more cash than normal and investing in alternative assets and strategies that provide returns that are not reliant on share markets.

Our focus on managing risk and searching for ways to help reduce the impact of significant negative returns on our multi-asset portfolios may not prevent negative returns in weak share market conditions but our caution should provide some insulation. Information about your specific fund's positioning is in the Fund Profile Tool on mlc.com.au/fundprofiletool

In all periods of volatility, markets act irrationally and our active managers are doing exactly what we expect of them, looking to take advantage and buy good investments at cheaper prices than they could prior to the volatility, which helps lay the foundations for long-term growth.



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