

Strategy update

Changes to Pre Select diversified funds

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Dr Susan Gosling
Head of Investments
MLC

“We believe introducing greater asset allocation flexibility to the Pre Select diversified funds should benefit our investors by helping to improve the returns we generate for the level of risk we take.”

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

That’s why we’re making some changes to the Pre Select diversified funds.

What are the changes?

We’re making the following changes:

- **Introducing asset allocation ranges**

In future, we’ll manage the funds’ asset classes within ranges of 15% above or below the target asset allocation.

Markets are evolving all the time and we continually consider how the potential risks and returns of each asset class could change over the next three to seven years. Asset allocation ranges give us flexibility to use these insights to adjust the mix of assets in the funds. This helps us better manage potential risks and take advantage of return opportunities.

- **Adding an ‘alternatives’ asset class**

Alternatives are a diverse group of assets and strategies that generate returns not strongly linked to the returns of mainstream assets such as equities. Carefully selected alternatives can help increase diversification and smooth the returns of the funds.

Which funds are affected?

These changes are for the Pre Select diversified funds:

- Pre Select Conservative Fund
- Pre Select Balanced Fund
- Pre Select Growth Fund, and
- Pre Select High Growth Fund.

How may investors benefit?

We believe these changes will:

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



Grant Mizens
Assistant Portfolio Manager
MLC

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How are investors being informed?

Existing investors will be notified by MLC Wrap. The current PDS will be updated and available in mid to late December 2017.

Why do we adjust the asset allocation?

The risk level of each asset class changes constantly. That's why we will frequently make adjustments to the asset allocation based on our scenario analysis (the Investment Futures Framework). The risk aware nature of our scenarios approach tends to mean that value is usually added through defensive positioning when market risk is high, potentially reducing our investors' exposure to losses.

Asset allocation adjustments are limited to defined ranges.

Will the asset allocations be changing soon?

We will adjust the funds' asset allocations, within their ranges, over coming months as we improve their defensive positioning. MLC's other actively managed, benchmark-oriented, multi-asset portfolios are also defensively positioned.

The target asset allocation and ranges may change over time. The most up-to-date information is available in the [Fund Profile Tool for MLC Wrap and Navigator](#) (on the '[Prices & performance](#)' page). Fund commentaries, also available in the Fund Profile Tool, provide rationale for changes during the quarter.

What are the asset allocation ranges?

The current ranges for each fund are shown in the following tables. The target asset allocations are unchanged.

Pre Select Conservative Fund

Asset class	Target asset allocation	Ranges
Cash	20%	5-35%
Australian fixed income	25%	10-40%
Global fixed income (hedged)	25%	10-40%
Australian equities	13%	0-28%
Global equities (unhedged)	6.5%	0-22%
Global equities (hedged)	6.5%	0-22%
Australian listed property securities	2%	0-17%
Global listed property securities (hedged)	2%	0-17%
Alternatives	0%	0-15%

Pre Select Balanced Fund

Asset class	Target asset allocation	Ranges
Cash	10%	0-25%
Australian fixed income	20%	5-35%
Global fixed income (hedged)	20%	5-35%
Australian equities	22%	7-37%
Global equities (unhedged)	11%	0-26%
Global equities (hedged)	11%	0-26%
Australian listed property securities	3%	0-18%
Global listed property securities (hedged)	3%	0-18%
Alternatives	0%	0-15%

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Pre Select Growth Fund

Asset class	Target asset allocation	Ranges
Cash	2%	0-17%
Australian fixed income	14%	0-29%
Global fixed income (hedged)	14%	0-29%
Australian equities	32%	17-47%
Global equities (unhedged)	16%	1-31%
Global equities (hedged)	16%	1-31%
Australian listed property securities	3%	0-18%
Global listed property securities (hedged)	3%	0-18%
Alternatives	0%	0-15%

Pre Select High Growth Fund

Asset class	Target asset allocation	Ranges
Cash	1%	0-16%
Australian fixed income	7%	0-22%
Global fixed income (hedged)	7%	0-22%
Australian equities	40%	25-55%
Global equities (unhedged)	20%	5-35%
Global equities (hedged)	20%	5-35%
Australian listed property securities	2.5%	0-18%
Global listed property securities (hedged)	2.5%	0-18%
Alternatives	0%	0-15%

Any questions?

Please contact your NAB Asset Management Investment Specialist or call MLC on **132 652**.

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The funds affected by these changes

The following funds are affected by the changes to the Pre Select diversified funds. These funds are offered through MLC Wrap platforms.

Pre Select Conservative Fund

Pre Select Balanced Fund

Pre Select Growth Fund

Pre Select High Growth Fund