

# Strategy update

## Changes to MLC's Australian share funds

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### What are the changes?

- **Northcape and Alphinity appointed**
- **JCP removed**
- **Manager weights adjusted**

*“Our MLC Australian Share Fund has navigated increased share market volatility and outperformed the market in recent years but we can’t be complacent. We believe these changes to our investment manager mix will continue to provide investors with a well-balanced Australian share strategy under a range of market conditions.”<sup>1</sup>*

**At MLC, we’re always researching new ways to improve our investment strategies.**

That’s why we’re introducing two active managers, Northcape Capital Pty Ltd (Northcape) and Alphinity Investment Management Pty Ltd (Alphinity) to position our Australian share funds for a range of prospective market environments. As part of these changes we have removed JCP Investment Partners Ltd (JCP). We believe the new blend of active managers will provide a good balance of manager insight, stock diversity and risk relative to the benchmark.

### Which funds are affected?

The following funds<sup>2</sup> across MLC’s platform and wholesale product range affected by these changes are:

- MLC Australian Share Fund
- MLC Australian Share Growth Style Fund, and
- National Australian Equities Fund.

We’ve also made changes to the Australian share strategies of MLC’s and National’s multi-asset portfolios. Details for these portfolios are provided in a separate communication available at [mlc.com.au](http://mlc.com.au).

### How may investors benefit?

We believe these changes will provide investors in our Australian share funds with risk and return consistency.

### Why have we made these manager changes?

We’ve appointed Northcape and Alphinity to the Australian share funds. These are high quality managers in which we have strong conviction in their stock selection capabilities to manage prospective risks. Northcape has managed Australian shares in our multi-asset portfolios since 2005, and Alphinity since 2012. Northcape adopts a ‘style neutral’ investment approach and manages a fairly concentrated portfolio. Alphinity adopts a core investment approach which is biased towards a moderate growth investing style.

We believe the addition of these two managers to the fund will continue to support the consistency of risk and returns through various market cycles. The new managers complement the investment styles of our current managers Antares Capital Partners Limited (a value/contrarian manager) and Bennelong Australian Equity Partners Pty Ltd (a growth/quality manager). We will continue to adjust all manager allocations within the fund from time to time as we aim to better balance the diversity of investment styles, manager insights and emerging style biases.

<sup>1</sup> Past performance is not a reliable indicator of future performance

<sup>2</sup> All funds affected by these changes are listed in the Important Information section at the end of this document.



We also have flexibility within the fund to adjust allocations to managers, allowing us to better manage:

- portfolio risks, and
- the funds' response to changing market conditions.

### What are Northcape and Alphinity's investment approaches?

Northcape conduct independent in-depth research to identify mispriced companies that they expect will outperform the market over the medium term. Northcape blends the insights of four portfolio managers in constructing the portfolio, which provides robust discussion and peer review of potential investment opportunities. Northcape hold approximately 30 to 40 stocks in their portfolio. Over the long term, they show no specific sector or style bias.

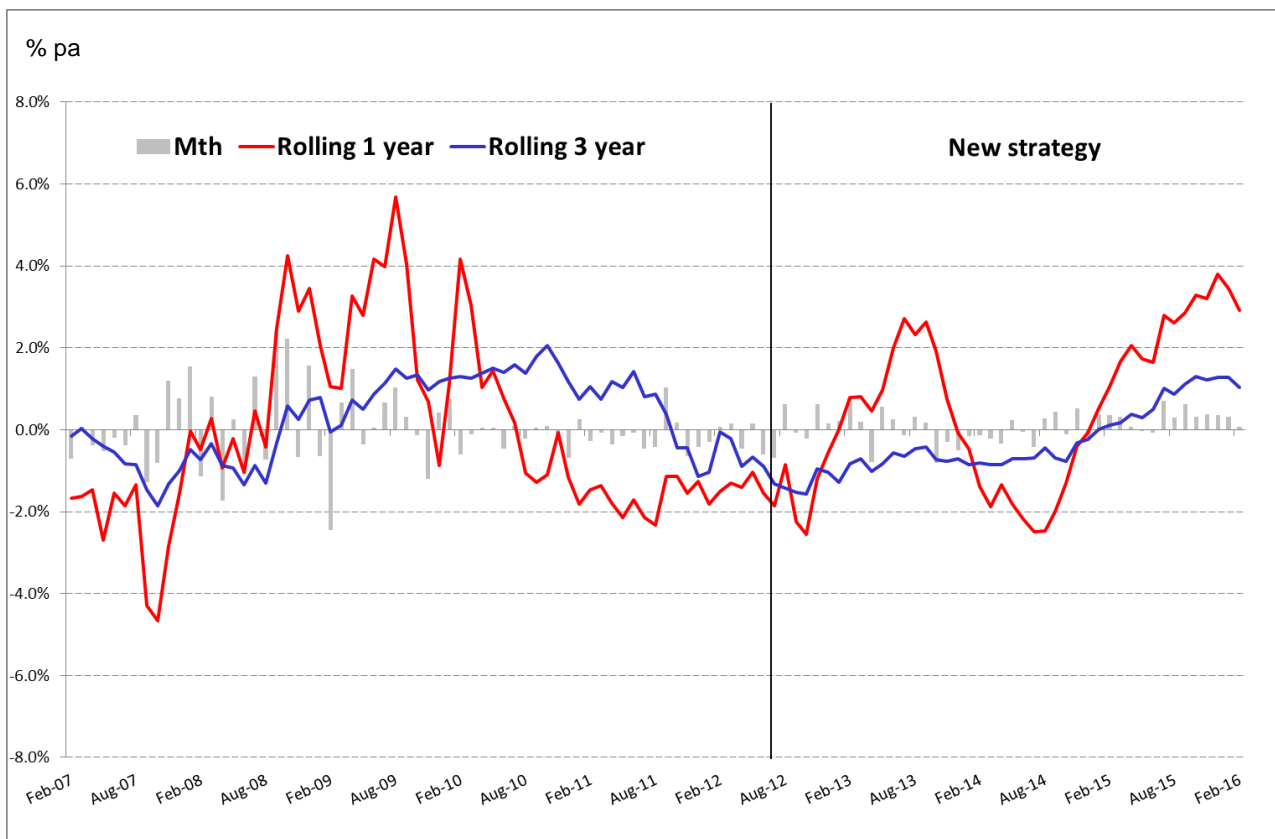
Alphinity use a bottom-up stock selection approach. Their investment process seeks to identify quality companies with strong or improving earnings potential that is underestimated by the market. Alphinity believe these investments can be found at any stage of the market or economic cycle. The firm's investment philosophy and approach tend to result in portfolios with a growth style tilt.

The investment manager profiles for [Northcape](#) and [Alphinity](#) on [mlc.com.au](http://mlc.com.au) provide more details on these managers.

### How has the MLC Australian Share Fund been performing?

You may recall in 2012 we made significant changes to the managers of the MLC Australian Share Fund to help us deliver more reliable returns to our investors. Since this time the fund has performed well, providing a smoother pattern of outperformance through time (as shown in Chart 1).

**Chart 1: Performance above benchmark of the MLC Australian Share Fund**



Source: JANA Corporate Investment Services Limited. Past performance is not a reliable indicator of future performance. Returns are gross of fees and tax.



### What are the new manager allocations?

Table 1 shows the new manager allocations in the MLC Australian share funds.

**Table 1: New manager allocations in the MLC Australian share funds**

Manager	MLC Australian Share Fund		MLC Australian Share Growth Style Fund	
	%	% change	%	% change
Alphinity	25	+25	70	+20
Antares	35	-10	--	--
Bennelong	23	+3	--	--
JCP	0	-35	0	-50
Northcape	17	+17	30	+30
<b>Total</b>	<b>100%</b>		<b>100%</b>	

A complete listing of the funds affected by the new manager allocations is contained in the Important Information section at the end of this document.

The latest manager allocations for all our funds, including the National Australian Equities Fund, are available on the Fund Profile Tool on [www.mlc.com.au/fundprofiletool](http://www.mlc.com.au/fundprofiletool)

### Are there fee implications for the Australian share funds?

There'll be a small increase in fees due to these manager changes. This increase will be within the range of 1 to 2 basis points depending on the fund. Fee changes will flow through to the products that have variable investment fees. Products that have fixed investment fees will have no fee change.

Fee impacts are an important consideration in our decisions. To approve a strategy change, we must expect it to benefit clients after taking into account the impact on fees.

Investment fees are available in the Fund Profile Tool on [www.mlc.com.au/fundprofiletool](http://www.mlc.com.au/fundprofiletool) and [mlcinvestmenttrust.com.au](http://mlcinvestmenttrust.com.au)

For further information regarding fees please refer to the relevant product PDS.



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The investment managers are current as at the date this communication was prepared. Investment managers are regularly reviewed and may be appointed or removed at any time without prior notice to you.

#### The funds affected by these changes

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

MLC Australian Share Fund

MLC Wholesale Australian Share Fund

MLC Australian Share Growth Style Fund

National Australian Equities Fund